

JPRS-CAR-94-034
26 May 1994



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

China

China

JPRS-CAR-94-034

CONTENTS

26 May 1994

ECONOMIC

NATIONAL AFFAIRS, POLICY

Analysis of Investment of Fixed Assets [JINGJI CANKAO BAO 5 Apr]	1
Price Institute Research Group Forecasts 1994 Prices [ZHONGGUO WUJIA Feb]	3
Investigation Report on Loss of State Assets [JIDIAN RIBAO 6 Apr]	6

PROVINCIAL

Shanghai Official Comments on Pudong's Development [Hong Kong CHING CHI TAO PAO 7 Feb]	9
Shanghai Begins Property Right Exchange Operation [WEN HUI BAO 17 Mar]	12

FINANCE, BANKING

Suggestions on Implementation of Tax Assignment System [Hong Kong TANG TAI 15 Feb]	13
--	----

FOREIGN TRADE, INVESTMENT

Resolving Trade Statistics Problems With U.S. [GUOJI MAOYI 15 Feb]	16
--	----

AGRICULTURE

Nonstaple Food Production Bases Proposed for Yunnan [JINGJI WENTI TANSUO 10 Feb]	18
Anhui Rural Saving Deposits [ANHUI RIBAO 30 Apr]	22

SOCIAL

Charities Stage 'Comeback' After Two Decades [XINHUA]	23
Party Publications Lose Money, Public Confidence [Hong Kong CHENG MING 1 Mar]	23

REGIONAL

EAST REGION

Work Report of Jiangxi Provincial Higher People's Court [JIANGXI RIBAO 7 Mar]	25
Zhejiang Provincial Party Committee Work Report [ZHEJIANG RIBAO 26 Dec]	28

CENTRAL-SOUTH REGION

Commentator on Strengthening Ideology	47
Arm People With Scientific Theory [HENAN RIBAO 11 Apr]	47
Guide Public Sentiment [HENAN RIBAO 15 Apr]	49
Educate Younger Generations [HENAN RIBAO 15 Apr]	50

NORTHWEST REGION

Xinjiang's 1993 Economic, Social Development [XINJIANG RIBAO 20 Feb]	51
List of Appointments, Removals for Xinjiang Standing Committee [XINJIANG RIBAO 20 Feb] ..	58

TAIWAN

Article Views Financial Difficulties, Economic Success [CHUNG YANG JIH PAO 9 Apr]	59
---	----

HONG KONG, MACAO

Hong Kong's 1994 Economic Prospects Outlined [CHIU-SHUI NIEN-TAI Jan]	61
---	----

NATIONAL AFFAIRS, POLICY

Analysis of Investment of Fixed Assets

94CE0465A Beijing JINGJI CANKAO BAO in Chinese
5 Apr 94 p 4

[Article by Liu Rixin (0491 2480 2450) of the Economic Research Center of the State Planning Commission: "Comments on Fixed Asset Investment Scale"]

[Text] China is now at the juncture of switching to a socialist market economy. With regard to its present scale of fixed asset investment, different views exist among economic theorists and comrades in charge of macroeconomic management. To sum up, there are two points at issue: One, is the present scale of fixed asset investment too large? Two, under the current conditions, how should the state control the investment scale?

Following is my personal view on these two questions:

First, let us look into the question of whether or not our present scale of fixed asset investment is too large. The answer depends on the method and standard used in measuring the scale of investment.

One method is to use the comparable price in comparing the current year's investment with the preceding year's. That is, the actual investment scale and percentage of increase are obtained after the current year's amount of investment is adjusted for inflation. Then, the appropriateness of the investment scale is determined. This method is upheld by some economists, and to apply the method, the State Statistical Bureau has compiled a fixed asset investment price index. The 1993 Statistical Communique pointed out that the country's fixed asset investment totaled 1.1829 trillion yuan. Although this figure appeared to be 50.6 percent more than the preceding year, the communique said, the actual increase was only 22 percent after adjustment for inflation, using the fixed asset investment price index (23.4 percent)—this was even less than the 23.7 percent increase registered in 1992. From this, we cannot conclude that our fixed asset investment in 1993 was too large. In fact, the 1993 Statistical Communique never said that the investment scale that year was too large. It only said that "the scale of fixed asset investment projects under construction was too large." The investment scale and the scale of investment projects under construction are two different things. According to the 1993 Statistical Communique, the state-owned units' fixed asset investment projects under construction totaled 2.327 trillion yuan. After deducting the projects completed that year, the unfinished work at the end of that year was in the amount of 1.32 trillion yuan. Based on the fact that fixed investment projects costing 832.1 billion yuan [figure as published] were completed by state-owned units that year, the above-mentioned unfinished work would take only one year and seven months to complete. This was a marked advance, compared with the situation existing several years ago when it would take two to three years or even a longer period to complete the unfinished investment

projects. Viewed in this way, even the scale of the investment projects under construction was not too large as of the end of 1993.

Another method is to compare the investment with GDP, using the current prices. This gives the ratio of fixed asset investment to GDP. Thus, by looking at the investment amount in relation to the country's economic strength, we can find out whether our investment scale is commensurate with our national power.

Based on statistical data, the investment-to-GDP ratios for the last three years are listed below:

	Unit	1991	1992	1993
GDP	Current prices, billion yuan	2,018.8	2,402.0	3,138.0
Total fixed asset investment	Current prices, billion yuan	550.9	785.5	1,182.9
Investment-to-GDP ratio	percent	27.3	32.7	37.7
State-owned units' fixed asset investment	Current prices, billion yuan	362.8	527.4	832.1
Investment-to-GDP ratio	percent	18.0	22.0	26.5

In 1993, the ratio of total fixed asset investment to GDP was 37.7 percent, and that of state-owned units' fixed asset investment to GDP was 26.5 percent. This, I think, is indicative of an overly large scale of investment for the following reasons:

First, judging from our experience with respect to the investment-to-GDP ratio, we have now gone beyond the rational limit.

Practical experience over the past 15 years since the start of reform and opening-up shows that when the ratio of total fixed asset investment to GDP exceeds 30 percent and the ratio of state-owned units' fixed asset investment to GDP exceeds 20 percent, the relations between the various sectors of our national economy would be strained and even become imbalanced. The present strained relations between the various economic sectors are due to this reason.

Second, the actual investment in 1993 greatly exceeded the target.

According to the 1993 plan adopted by the First Session of the Eighth National People's Congress, the nation's total fixed asset investment was 800 billion yuan, and the investment rate should be no more than 30 percent. Of the total investment, the portion made by state-owned units was set at 565 billion yuan and that by collectively owned units and individuals 235 billion yuan. However, the actual total investment was 382.9 billion yuan more than the planned figure, or an overage of 47.9 percent. The state-owned units' actual investment was 267.1 billion yuan, or 47.3 percent, more than the plan, while the actual investment by collectives and individuals showed an average of 115.8 billion yuan, or 49.3 percent. The investment rate—which was limited to 30 percent in the 1993

plan—refers to the proportion of total fixed asset investment to national income. According to statistical data, the investment rate for 1992 was 39.5 percent. The rate for 1993 is estimated at about 42 percent, even outstripping the record registered for the "Great Leap Forward" period. This was a matter of rare occurrence since the founding of the People's Republic.

Third, never before had so much currency been put into circulation—an indication of the overly large scale of investment.

Calculated at the current price level, the 1993 GDP increased 30.6 percent, while the nation's total investment in fixed assets rose 50.6 percent. This was the chief reason for the soaring demand for currency. The following shows the sharp increase in the amount of currency put into circulation as a result of the rapid expansion of investment: In 1992, 115.8 billion yuan of currency was put into circulation. In 1993, the amount put into circulation soared to 152.9 billion yuan, hitting a record high. This was even more than the total for the last five years of the 1980's (115.3 billion for 1985-1989). By the end of 1993, the amount of currency in circulation reached 586.5 billion yuan. Compared with the preceding year, the increase was 35.3 percent. This was another big hike following the 36.5 percent increase registered in 1992. It was also another peak in the last few decades only next to the 1988 record (which had a 46.7 percent increase).

Fourth, the extent of inflation was also indicative of the overly large scale of investment.

The increase in currency necessitated by the swelling investment has resulted in rising commodity prices. In 1993 the price index for the people's daily necessities (covering prices for both commodities and services, equivalent to the consumer price index in the West) rose 14.7 percent, following the 6.4 percent hike registered in 1992. The retail price index rose 5.4 percent in 1992 and climbed further by 13 percent in 1993. Last year the inflation rate reached two digits, being the fourth such occurrence in the 40-plus years since the founding of the People's Republic. This is a matter deserving serious attention. As there is a time gap between a large supply of currency and the appearance of its effect on commodity prices, the large amount of currency put into circulation in 1993 is expected to drive up the prices in 1994. Such being the case, we will still have a serious inflation problem this year.

Fifth, our country's investment scale is larger than that of foreign countries (regions).

Now, in developed countries, the ratio of fixed asset investment to GDP is generally about 15-20 percent. Japan has the highest ratio, which is around 30 percent. This investment-to-GDP ratio is related to the stage of economic development. Among the newly emerging industrial countries (regions), let's take the Republic of Korea as an example. In the 1970's when its economy was taking off, the highest investment-to-GDP ratio was only about 33 percent. At that time, Taiwan Province had a ratio of about 28 percent (in 1992, it was 22.8 percent).

How should the state control the investment scale at present? This is a major question concerning macroeconomic regulation and control under the new circumstances, which has not been satisfactorily resolved.

Some people say that at this time the state should not, and cannot, control the scale of investment. In my opinion, however, control is necessary. Due to a lack of sufficient studies on the concrete measures to be taken, here I can only offer some guideline suggestions:

First, we should establish a clear-cut principle based on which the state makes guidance plans as to the scale of investment under the market economic system.

We may follow the experience of Western market-economy countries (regions). That is, we may include in the state plan an absolute amount of total investment (including the amount of fixed asset investment and the increase in working funds) and a total investment ratio, which is the proportion of total investment (fixed asset investment and increase in working funds) to GDP. This will bring the investment scale more or less into line with our national strength. This is a reform of the state plan. To do so, the statistical department should first work out the pertinent investment ratios for the basic period to be used in planning.

Second, the state should formulate a more specific industrial policy to guide investment.

The industrial policy should be carried out in every locality. Certain economic levers should be adjusted to accommodate the implementation of the industrial policy and facilitate the fulfillment of the country's investment plan.

Third, the central bank should beef up control over loans for fixed asset investment.

The central bank should strictly carry out the state budget concerning loans for fixed asset investment. This budget, included in both the state investment plan and the bank's credit plan, must be strictly adhered to; no one is allowed to overrun it. No financial institutes should arbitrarily extend loans for fixed asset investment. Without proper approval, no locality and department should issue bonds, experiment with the shareholding system, or raise funds to finance construction projects. Projects using foreign capital must be carried out in accordance with the state plan. As for projects built with direct foreign investment, it is imperative to strengthen their guidance and subject them to a standard control procedure.

Fourth, different investment-control methods should be used for different investors.

In fact, our present macro-control over investment is still concentrated on state-owned units. It has not touched the investment made by the large variety of new economic sectors that have emerged since the start of reform and opening-up, such as the privately and individually owned economic sectors, township enterprises, Sino-foreign joint ventures, Sino-foreign cooperative enterprises, wholly-foreign-funded enterprises,

as well as joint enterprises owned by the state and collectives, state and individuals, and collectives and individuals. In reforming our economic management system, we should shift our main attention to these new economic sectors so as to truly reinforce macro-control over investment.

Price Institute Research Group Forecasts 1994 Prices

94CE0433A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese No 2, Feb 94 pp 3-6

[Article entitled: "Basic Forecast of Prices in 1994" prepared by the Price Research Institute's Situation Analysis Group headed by Chen Dezun (7115 1795 1415) and written by Cao Jianjun (2580 1696 6511) et al]

[Text] I. 1993's Economic Development and Price Situation

China's economic construction achieved outstanding results in 1993. The GNP rose 13 percent; per capital GNP increased by more than 2,500 yuan over the previous year. It is estimated that agricultural value has risen by 3.7 percent based on constant prices, with grain production topping 456.4 billion kilo and oil production topping 17.61 million tons. Industrial value increased by 19.5 percent based on constant prices. The people's income also increased: After taking the price factor into consideration, it is estimated that per capital cost-of-living income for people in cities and towns rose 10 percent last year; the rural population's per capita net income rose around 2 percent. People's newly added savings broke through the 300 billion-yuan mark. The markets were very active. It is estimated that after taking inflation into consideration, social retail sales actually rose 9 percent over the previous year. 1993's total import and export topped \$190 billion, approximately a 15 percent increase compared to 1992.

Despite the above-described fine situation, China's economy was still plagued by many problems. The pre-existing and the new problems together caused the overall price level to rise sharply, and this will have a significant effect on the economy in 1994. In 1993, the nation's total retail price index rose 13 percent over the previous year's. The price increases covered a broad spectrum of commodities; almost all major consumer products, labor and services, and factors of production were affected. After mid-July, the macro regulation and control measures adopted by the central authorities began to take effect, and overall price level and the prices of some factors of production leveled off some. But after November, inflation picked up momentum again. The price situation was even worse in the fourth quarter. The consumer price indexes in the large- and medium-sized cities soared; the low-income class and college and high school students had strong reactions. The prices of agricultural means of production were rising faster than agricultural product prices, and agricultural trade conditions were unfavorable. Despite the comprehensive price increase, however, the prices of

energy, rail transport, and a handful of capital goods and infrastructure remained fairly low.

The main causes of the above situation are:

1. The slow-developing basic industry has not kept up with economic development.

Development of the basic industry, energy, transportations and communications and similar sectors has remained slow. The situation has not changed in 1993. Year-end statistics showed that rail transport capacity has increased only 3 percent compared to the previous year. Basically no new trunk-line was put into service the whole year. Last year was one of the worse years for rail transport in recent history. The power department has estimated that currently China has a power supply shortfall of around 20 percent. The Beijing-Tianjin-Tangshan area has a 8 billion kw shortfall; the northeast region has a 3-5 billion kw shortfall; east China has always had a power shortage problem. Based on actual needs, our elasticity of demand for power is greater than 1.2, but the actual average is only 0.95. Coal supply and demand are more or less balanced, but because of transport capacity, supply is still tight in the economically well-developed east and south China. The supply of steel materials barely meets demand even with enterprises working beyond capacity and with massive imports. Rapid economic growth has resulted in a strong demand for basic goods and infrastructure, which directly causes prices in the basic goods markets to soar and in turn causes the overall product price level to rise as a result of higher production cost.

2. Imperfect market organization and clogged channels fail to link supply to demand despite ample supply.

Due to the slow relay of information, monopoly, regional separatism, and failure to organize supply in a timely fashion, product circulation in China has often failed to link supply to demand. For example, in late November 1993, soaring grain price was first spotted in Guangdong. It then spread to Hubei, Hunan, Anhui, Jiangxi and so on, and before long, it reached the north, resulting in grain price fluctuations over a fairly wide area. Actually, we did not have a grain shortage in 1993; we also had an ample reserve, but because grain management departments were cut in some localities, grain transfer and shipment was slow, making it too late to remedy the shortfall in some grain markets.

3. Behind the active markets is the hidden concern for inadequate market demand.

The economy has been growing rapidly and prices have been soaring, which seem to indicate brisk demands and a lively market, but market demands for some products have been flat. For example, the market for household electrical appliances is already saturated; textile goods have long been in a slump; cement stockpile has grown to around 21 million tons, and stockpiles in the large- and medium-sized state-owned enterprises have continued to grow. It is estimated that the stockpile of finished goods at year-end

may be 12 percent larger than 1992's. In the rural markets in particular, because the increase in the peasants' income has slowed recently, sales of agricultural means of production has also been sluggish, and sales of industrial goods in the rural areas has not yet recovered, and in view of the increasing scope of industrial production, these have become a potential concern.

4. Despite the excess currency in circulation, there are still some settlement problems.

Since 1992 and for two years in a row, currency in circulation has been increasing at a rate of nearly 40 percent. During the same period, the national economy was growing at 27 percent while prices were increasing at 19 percent—the rate of increase in currency in circulation almost doubled these rates. Despite that, settlement remained a problem in many sectors; enterprises' triangle of debts continued to grow. Too much currency in circulation seriously threatens to further drive up prices, but settlement problems continue to call for more money input.

II. Forecast and Analysis of Price Situation in the First Half of 1994

Judging by 1993's economic situation and 1994's plans for economic development and reform, it is expected that we will continue to experience a high rate of economic growth accompanied by high rate of inflation in the first half of 1994. The inflation rate will keep pace with the rate of economic growth and may exceed 10 percent or even higher. The causes of the high rate of increase in prices are:

1. The "rooster-tail" effect of higher prices in 1993:

In 1993, while the economy sustained a 13 percent growth rate, the cost-of-living index in cities and towns was 15 percent, and in the 35 large- and medium-sized cities, it actually exceeded 20 percent. It is expected that last year's price increases will continue to have an effect this year, accounting for 4-5 percentage points of this year's retail price increase.

2. Massive currency input has generated strong inflationary pressure.

The macro regulation and control measures taken after July curbed the loss of control over currency input that had begun in the first half of 1993, but there was still too much money in circulation. There was substantial currency input in the second half of last year, and at year-end, various specialized banks had approximately 180 billion yuan in basic currency. Today, the banks have twice as much reserve fund as they had last July; it has created a huge amount of high-energy money. At year-end, currency in circulation may nearly quadruple that at the end of last year. The state banks' plans for new loans in 1994 are based on a fairly high rate of economic growth of 9 percent; total loan volume will be 470 billion yuan, a 17.8 percent increase. Thus, the money supply which is ready to explode will have tremendous pressure on market prices.

3. The huge investment scope and unbalanced industrial structure will continue to be the main driving force behind the price increases.

Although the total scope of fixed asset investment declined after the "macro regulation and control" efforts, it continued to increase at a rate of more than 46 percent in 1993. It is estimated that the state-owned units will have about 1.44 trillion yuan's work carried over from last year, 40 percent more than in the previous year. This year, in order to ease the restriction in the "bottleneck" industries, the start-up rate of new key projects will continue to increase substantially. Adding the state's matching investments in foreign capital utilization, this year's planned social fixed asset investment scope will be 1.3 trillion yuan, 13 percent more than last year's, and it is more than likely that we will exceed that amount. Accompanying this huge investment scope is the unbalanced industrial structure, especially the weak basic industry, which limits the increase in energy and raw materials supply, creating a large supply shortfall. Thus, it can only push the price level higher and cause a chain-reaction.

4. The potential effects of the restructuring of the economic system and price reform.

Several economic reform measures will be introduced this year. Those that have potential effects on the overall price level include exchange rate reform, tax reform, and the structural readjustment of prices. The merging of the exchange rate tracks will make it easier for domestic enterprises to obtain foreign exchange, and so we may find even more imports this year, and enterprise production cost will also increase as a result. Tax reform overall will not increase enterprises' burden, but because of the change in the tax structure, individual enterprise tax burden will necessarily change. The value-added tax will increase wholesale enterprises' tax burden; retail enterprises' taxes will go down. In addition, grain, chemical fertilizers, pesticides, live hogs, and reprocessed resources and other previously tax-exempt businesses will be paying a value-added tax this year. The structural adjustment of prices will primarily affect grain, crude oil, and rail transport prices, but no doubt, it will directly push market prices higher.

5. The structural change in workers' income and people's consumption will also raise the consumer price index.

In recent years, the income level has risen significantly. Statistics showed that from January to November 1993, the nation's total wage bill rose 21.8 percent compared to the same period a year ago. Specifically, wages in the people-owned units rose 21.9 percent; city and town collective economic units, 15.1 percent; other economic units, 73.5 percent, which set a historical record. The workers' nonwage income has also reached substantial amounts. The rise in labor cost has become another important factor pushing up production cost and product prices. Even more serious is the change in income distribution. A typical survey showed that currently, 2 percent of the population is accounting for 30 percent of the income. Meanwhile, the

consumer market is also becoming more luxury-goods-oriented. A 2,000-yuan leather coat is no longer a novelty. The demand for soap and cosmetics has shifted to more expensive kinds that are either imported or produced by joint-venture enterprises. Motor cycles, air conditioners, video tapes, camcorders, computers, hi-fi, multi-function TV sets, refrigerators, telephones, and telecommunications equipment are already or will soon become hot-sellers. This kind of conspicuous consumption has a strong enticing or exemplary effect on the low-to-middle income people. Therefore, even though total demand in the consumer goods markets will not change dramatically, the change in income distribution and the structure of the products market will still push the prices of consumer goods higher.

6. The imperfect market construction and market organization cause sudden market and price fluctuations for some products.

China's various tangible markets are small-scaled; supply and demand are scattered. The supply and marketing channels are disjointed for many important products, and regional blocks and market monopoly are fairly serious problems. Therefore, even for goods whose supply and demand are balanced, because of changes in certain policies or people's expectations, there can still be market and price fluctuations. If these fluctuations become frequent occurrences, there will be a natural tendency for prices to rise.

III. An Analysis of 1994's Price Trend and Some Policy Suggestions

Looking over China's current economic situation and the reform and development, it is inevitable that we will find price increases of significant magnitudes in 1994. Judging by the developmental trend, we may encounter one of the following two situations in the second half of the year: A) Given the in-depth restructuring of the economic system and the stepped-up macro regulation and control, abnormal price fluctuations and price increases are put under effective control; the rise in the overall price level will keep pace with the fairly high rate of economic growth. B) The economy will grow at high speed and inflation will be in double-digits, forcing a readjustment of the national economy. The result will be slower economic growth, but because various factors contributing to the higher prices are not eliminated, the price level will continue to rise, creating a situation of slow growth accompanied by high inflation. In the former situation, the price situation will be grim, but under the latter situation, it will be horrible.

To avoid even worse inflation, we must include controlling the price level in our macro policy objective. We suggest adopting the following policies or reform measures:

1. Keep the increase in the money supply steady.

The state's monetary policy must strive to stabilize the money supply. Considering the fact that there is already excess supply of currency in circulation, we must control the increase in currency issuance to within the sum total of

the planned price increase and economic growth; the maximum rate should not exceed last year's rate of increase.

2. Keep the increase in investment demands under tight control.

To control investment demand, ultimately we must turn to the restructuring of the investment system and other economic systems. Currently, while reform is not fully in place, we must still rely on administrative regulation and control. Primarily, we must adopt different financial and taxation policies when dealing with investments of different types. That is, for highly profitable and competitive investments, we should turn to higher-interest, commercial loans and impose a higher tax rate. For less profitable capital investments which take a longer time to generate profit, we should adopt a low-interest policy and commercial loans and reduce the tax burden accordingly. For low- or even no-profit public-good-type investments, the state not only must allocate special low-interest loans but should formulate policies to encourage society at large to make investments. In addition, the state should also take local development into consideration and guide and adjust the investment scopes in various industries in different regions.

3. Set up and perfect macro regulation and control and indirect market regulation measures.

To prevent abnormal fluctuations of great magnitudes in the commodities market, the state should set up some agricultural and sideline product and industrial capital goods wholesale markets in the goods and materials gathering and distribution areas and the large and medium-sized cities. Thereupon, it should target the products' different characteristics and adopt different macro regulation and control and indirect regulation measures. A) For low demand-elasticity products, such as grains, cotton, sugar, salt, pesticides, and groundcove, we should adopt a regulation and control policy whose objective is to "guarantee supply." The state must resolutely set up a system of stockpile of important products in various localities over a period of time and in groups and diligently set up a special regulation fund and link the management of those products to stable market supply. For example, it should be stipulated that managers must keep a standard-size stock on hand. That is, they must maintain the government-regulated maximum or minimum stock on hand and operate as directed by the government at times of market fluctuations. B) For industrial consumer goods with high elasticity of demand, we should emphasize the construction and standardization of wholesale markets, and as much as possible, adopt economic measures to curb price fluctuations and, if necessary, resume the price increase application filing system. C) For industrial capital goods market which governs the trend of market demand, while we keep up the necessary macro planning and regulation, we should regularly make small adjustment through monetary, financial, taxation, and other macroeconomic policies.

4. Vigorously open up the rural markets.

To open up rural markets, besides guiding enterprises to produce goods that sell well in the rural areas, the most important thing is to increase the peasants' income. On the one hand, we must set protective, supportive prices for agricultural products; and on the other hand, we must continue to encourage and support the development of township enterprises, and accelerate the shift of the surplus rural labor force. At the same time, agricultural investments must be given comprehensive preferential treatment through government policies.

5. Open up a variety of investment channels, guide the people in increasing savings and diversifying their investments, and dissipate the market pressure on hot-selling consumer goods.

The most important thing today is to create conditions to facilitate the people's financial and real estate investments. The financial investment sector should be opened up more to the public to turn consumption funds into production funds. Reform of the real estate system should aim to help the people achieve the goal of owning their own homes.

Investigation Report on Loss of State Assets

94CE0450A Beijing JIDIAN RIBAO in Chinese
6 Apr 94 p 2

[Report on Wang Zhiyuan (3769 5268 6678): "State Assets Being Lost Through Multiple Channels"]

[Text] **Editor's note:** The loss of state assets has caused widespread concern among members of the public, but few people know how the losses occur. This is why we are printing an investigation report on the loss of state assets written by Comrade Wang Zhiyuan of the scientific research office of the State Administration of State Properties. This report is a clear description of the channels and ways through which state assets are lost in Sino-foreign joint ventures and transformed shareholding enterprises, when administrative units set up the three kinds of wholly or partially foreign-funded enterprises, and when collective enterprises modify property rights. It is a good piece of reference material and should be read carefully. [end editors note]

Loss of State Assets in Sino-Foreign Joint Ventures and Contractual Joint Ventures

Because of China's growing international reputation and the liberalization of the investment climate at home, foreign investment in China has been booming and the number of Sino-foreign joint ventures has increased sharply. This has been a great boost to economic development in China across the board and has helped raise the standards of production technology and management. However, state assets are being lost and their legitimate rights and interests are encroached upon severely by the way some localities go about setting up joint ventures with foreign firms.

Assets of Chinese Partners Not Appraised

To set up a Sino-foreign joint venture, the first thing that should be done is to have the assets of both parties

appraised. Only then can one clarify their responsibilities, rights, and interests. There should have been no question about this. Nevertheless, owing to a variety of reasons—the lack of comprehensive laws in this field, government intervention, and assets appraisal poorly done, sloppy appraisal—the failure to perform an assets appraisal has been a widespread phenomenon in Sino-foreign joint ventures for many years. According to incomplete data, about 90 percent of Chinese assets in Sino-foreign joint ventures each year should be but are not appraised. In 1992, of all Sino-foreign joint ventures approved by foreign economic relations and trade agencies, about 10,000 involved state enterprises on the Chinese side. And of these 10,000, 2,900 had their assets appraised. On average, appraised value is 75 percent higher than net book value. Thus over 6,000 state enterprises entered into a joint venture with a foreign company without having their assets appraised. Their combined investment in the joint ventures was 86.264 billion yuan. With a value increase rate of 75 percent, we figure out that the absence of assets appraisal caused a loss of state assets to the tune of 64.698 billion yuan.

Assets of Two Parties Not Priced Fairly

It is a common practice among the Chinese entering into joint ventures with foreign businessmen to undervalue their assets. For example, a steel pipe factory proposed using state assets with a book value of 50 million yuan to set up a joint venture with a foreign investor. Notified of this situation and acting in accordance with the pertinent regulations, the local state properties bureau proceeded to re-appraise the state assets of the steel pipe factory based on current prices. The assets were re-appraised at 210,000,000 yuan. The leaders of the enterprise argued that the assets were over-valued and refused to accept the figure. After intervention by the local leader, the state assets bureau did another appraisal which lowered the value to 185,000,000 yuan, a number still considered too high by both the local and the enterprise leaders. In the end, an administrative decision was imposed under which the enterprise was to enter into the joint venture with the state assets valued at 50 million yuan.

Investment by both Chinese and foreign partners in joint ventures typically takes the form of goods and materials, and overvalued ones at that. There is a chemical industrial firm in Xiangtan Shi, a Sino-foreign joint venture. The foreign partner claimed a value of \$1.2 million for its equipment, while the actual value was just \$900,000, thus overvaluing it by \$300,000. It also claimed that its software was valued at \$300,000, while the real worth was only \$30,000.

The practices among Chinese partners of undervaluing Chinese state assets and accepting the inflated values of the foreign partners' equipment and technology seriously damage the legitimate rights and interests of the state. Under the "Sino-Foreign Joint Venture Law," net profit shall be distributed among the partners in accordance with their respective shares of registered capital. Undervaluing the Chinese partner's state assets thus inevitably lowers its

share of the total capital and hence its claim to the return on state assets as well as other rights.

Through "Transfer Pricing," Foreign Companies Encroach Upon China's State Assets, Evade Paying Taxes to Chinese Government

"Transfer prices refer to the prices multinationals charge for goods and services sold inside China. They are also called allocated prices. These prices are not subject to the usual supply-demand relations on the market and represent a means through which multinationals can maximize their profits." "Transfer pricing" is an artificial pricing method intended to shift an enterprise's profits. On the one hand, the enterprise achieves its purpose of tax evasion. On the other hand, this pricing method encroaches upon the Chinese partner's state assets in a big way. The upshot is an anomaly: an enterprise may suffer a loss on paper but is really raking in a profit. Popularly dubbed "zero profit," this is actually a ruse resorted to by foreign companies to turn a real profit into a sham loss.

Many of the foreign investors in China are multinational corporations or their subsidiaries. They use a whole bunch of imaginative "transfer pricing" tactics, most of them in the following areas:

Buying and Selling of Goods

A foreign investor may move profits around by "importing high and exporting low." (This is how it works. It imports raw materials from overseas, paying a relatively low world market price, and then sells the raw materials to the joint venture at a higher price. When it comes to selling the output, it obtains the goods from the joint venture at a fairly low price and sells them on the international market at a higher price.) Sino-foreign contractual joint ventures and wholly foreign-funded enterprises, where foreign businessmen exercise managerial power, work hand in hand with affiliated companies overseas to buy and sell raw materials and products based on internal prices, creating a "sham loss" or "a tiny profit" and achieving their objectives of encroaching upon the profits and eliminating or minimizing their tax liabilities. Take, for instance, the case of a Japanese electrical machinery company in Shenzhen, a wholly Japanese-owned enterprise which sells the bulk of its output to its affiliated company in Hong Kong. For 2 years after it opened for business, which coincided with its income tax exemption period, it made a small fit. Beginning in 1986, it has been losing money year after year on its exports, with losses exceeding 15 million yuan in all, close to 10 percent. An investigation revealed that there were two different sets of sale prices for the enterprise's products. The prices it charged its non-affiliated enterprises were 20 to 46 percent higher than those it charged its affiliated company. Foreign companies which have set up Sino-foreign contractual joint ventures mostly make money through their control over the sales channels as a buyer of raw materials and agent for the sale of products.

Charging Fees for Services Within the Group

A foreign businessman may jack up the enterprise's costs and corner its profits by overpaying its affiliated company

overseas for services the latter has rendered or undercharging the latter for services the former has performed. Take, for instance, a foreign-funded enterprise whose main business was petroleum gas. For 10 years after it opened for business, it reported a loss each year. Yet it never charged its Hong Kong affiliate for storage and transshipment services it had rendered. In 1990 the tax department ruled that it should charge for services at the rate of 10 percent, the going rate, and proceeded to look into its losses and profits. In the 1988-1989 period alone it should have collected \$2.28 million [Hong Kong dollars] in service charges. Based on these figures, the company actually earned a \$478,000 profit instead of losing money. Its retroactive income tax liability: HK\$71,000.

Lending

When the foreign partner makes a loan to a joint venture, it raises interest rates and thus siphons off the profit. One example involves a Sino-foreign joint venture. In 1985 it was strapped for working capital, so the foreign partner secured a loan from a foreign bank. Between 1985 and 1988 it took out loans totalling 37.96 million yuan and paid 5.14 million yuan in interest at interest rates ranging from a high of 21.25 percent to a low of 15.25 percent, 50 percent to 100 percent higher than what banks charge their borrowers on the international market.

Transfer of Invisible Assets

The foreign partner influences the margin of profit of an enterprise by manipulating the values of invisible assets. There was a Sino-foreign joint venture. The Chinese partner invested \$8 million in it; the foreign partner, a mere \$1.5 million. The foreign partner's parent company was put in charge of importing patented equipment and technology transfer, for which it charged \$6 million. Informed sources put the foreign partner's margin of profit between 30 to 40 percent. Assuming that it was 35 percent, the foreign company's profit already topped its registered capital. That way the investor made a fortune by inflating transfer prices even before the joint venture opened its door for business and sowed the seeds of future losses for the company.

Through transfer pricing, foreign investors achieve their goal of shifting profits overseas while condemning the enterprises to a prolonged state of unprofitability and red ink and causing colossal losses for China.

The Loss Of State Assets as a Result of Transformation of Enterprises Into Shareholding Enterprises Or Companies

In the course of converting enterprises into shareholding enterprises or companies, the failure to appraise state assets, the undervaluing of state shares, the failure to match state shares with other shares, the failure to issue dividends to state shares, the issue of a minimal amount of dividends to state shares, the conversion of state shares into legal-person shares and personal shares, so on and so forth, have all resulted in the loss of state assets. These are the principal ways in which enterprise transformation via the shareholding route may cause the loss of state assets:

As part of its experiment with the shareholding system, an enterprise creates "enterprise shares." Some enterprises create "internal employee shares" which employees may acquire gratuitously or at a reduced price.

In the five shareholding enterprises set up in Jilin after 1985, for instance, "enterprise shares" accounted for 45.5 percent of the total value of all shares issued. In addition, 20 percent of the "enterprise shares" were set aside and turned into 2,843 shares at 200 yuan each. They were distributed among the employees based on the number of employees each enterprise had and their seniority. Employees were also allowed to collect dividends.

In the Course of Converting an Enterprise Into a Shareholding Enterprise, State Assets Are Not Converted Into Shares Based on Replacement Costs But At Low Prices.

Regulations require the conversion of state assets into shares based on net asset replacement value. In reality, state assets have been converted into shares according to original book value in the vast majority of cases. There were six enterprises in Shanghai whose assets had a combined original book value of 827 million yuan. An appraisal put their net assets replacement value at 1.688 billion yuan. In the end, the assets were converted into shares based on the original book value of 827 million yuan. In Chengdu, an appraisal raised the value of the assets of state enterprises adopting the shareholding system by 29 percent, significantly lower than the rate at which assets in that city had been appreciating (70 percent) as well as the national average. (Between 1989 and 1992, the average assets appreciation rate nationwide was 54 percent.)

When It Comes to the Distribution of Dividends, State Shares and Personal Shares Are Treated Differently.

The problem of jacking up dividends on personal shares and holding down dividends on state shares is widespread among most of the enterprises in Chengdu in Sichuan Province and Wuhan. This is how dividends were divided up each year by a shareholding limited-liability company in Wuhan between 1988 and 1992: For state shares, the dividend rate was 11.5 to 13.7 percent; social personal shares, between 17 and 17.5 percent; and employee personal shares, 20 percent. A shareholding enterprise in Sichuan followed an even more inequitable practice. In calculating the dividend for personal shares, it added the income tax payable to the profit to be distributed and divided up the amount among the number of personal shareholders. In contrast, the after-tax profit was used in figuring out the state share dividend. In effect, the income tax liability was borne solely by the state, not all shareholders. In 1992 the enterprise gave out personal share dividends at the rate of 29 percent while the rate for state shares was a little over 3 percent.

Enterprises Price Shares Differently, Encroaching Upon the Profits of the State-Enterprise Legal Person.

When it first started issuing shares, a building in Chengdu priced personal shares and legal personal shares at 1.15 yuan and 3.5 yuan each, respectively. The problem has now been ratified.

Some State Assets Not Being Converted Into Shares

According to regulations, when a state enterprise is converted into a shareholding enterprise, all its original assets should be put into production. In pilot projects now under way, the original assets, particularly non-operational assets, have not been put into production in a large number of enterprises that had adopted the shareholding system on an experimental basis. One company in Tianjin, for instance, failed to include 176 million yuan in state assets. Most commonly, land use rights and other invisible assets are excluded. According to a study on shareholding enterprises in Nanning and Wuzhou in Guangxi Province, all 11 directional fund-raising shareholding companies in the two cities failed to convert land into shares, instead allowing the land to be used free of charge.

Enterprise Mismanagement Causes Loss of State Assets

State enterprises losing money. This is the biggest problem facing China's state economy. Xiangtan Shi is one of the industrially advanced areas in Hunan. The city's 79 state enterprises within the budget had 3.434 billion yuan in combined assets and 2.720 billion yuan in liabilities, which amounted to 79.5 percent of the former. Mismanagement-related losses represent a particularly serious problem in former military enterprises now converted to civilian production. These enterprises have little funds at their own disposal and meager self-development capability. As a result, much of their fixed assets sit idle while they suffer extensive management-related losses. A munitions factory in Hubei, for instance, had 7.16 million yuan in losses at the end of 1992.

Collective Enterprises Losing State Assets

It is a common phenomenon for collective enterprises to use state assets gratuitously, even selling them off without authorization. Hence the massive losses of state assets in collective enterprises. Collective enterprises lose state assets mainly in these ways:

Selling Off Equipment Without Permission

Some enterprises take up and use the state assets of enterprises owned by the whole people without paying for them. Because of mismanagement, they turn out high-priced but poor-quality products and suffer extensive losses. To ease their financial plight, these enterprises take it upon themselves to sell off without authorization the machinery and equipment they have been using. Regulations require them to use the income derived from such sales to modernize and transform fixed assets. Instead, many enterprises have used the income to cover losses in their current account or give it out as wages, thus covertly divvying up state assets.

Enterprises do a poor job in taking care of state assets. What exists on the books and what they actually have in hand may be two different things. Both cause state assets to be lost in large quantities.

The way some collective enterprises manage the fixed state assets in their use, including their changes, installation, use, and upkeep and maintenance is utterly chaotic. Equipment is discarded or lost but the books are not updated, so there is no consistency between the two. This is a serious and widespread problem.

Fixed Assets Under Compensated

When a collective enterprise uses state fixed assets, it should take depreciation on them. In fact many enterprises fail to do so and the amount involved is huge. Fixed assets are woefully underpaid. Moreover, the depreciation taken, instead of being used to pay for the modernization of fixed assets, is spent as benefits payments or bonuses. Thus state assets are not compensated minimally, making even simple reproduction unsustainable.

Using State Assets Without Compensation

Some enterprises owned by the whole people nominally lease out their fixed assets to their collective enterprises for use by the latter. In reality, however, no lease agreement was signed by a representative of the lessor and the collective enterprise, and certainly no leasing fee was collected. In effect state assets are used gratuitously, an infringement upon the rights and interests of the owner, the state.

Plants and Equipment Allowed To Sit Idle

Due to mismanagement and the poor quality of their products, a number of collective enterprises have been losing money year after year. Some of them have even suspended production, idling many plants and much equipment. They neither report such idling to the authorities above nor maintain and upkeep the equipment. Thus the assets affected are not put to the proper use.

Administrative and Institutional Units Losing State Assets

Administrative and institutional units use state assets without paying for them to "raise revenue." The loss of state assets mainly occurs when the revenue thus earned goes into "mini treasuries," when nonoperational assets are turned into operational assets, when money-making units fail to take depreciation or do so minimally, and when the costs and expenses of such units are not calculated accurately; that is, expenses that should be paid for by the units are still taken care of by the state treasury.

An investigation in late 1993 by the Guangxi regional properties bureau into the loss of state assets by several administrative and institutional units uncovers the following problems:

Lack of effective methods to manage the state assets used in revenue-raising activities and the profits derived therefrom. Revenue-raising activities by administrative and institutional units these days take a variety of forms, but for the most part they involve leasing out state land or

renting out stadiums, buildings, houses, and equipment built or paid for by state funds or using such land and facilities in joint business ventures and contracting schemes.

Borrowing public funds to set up economic entities without going through the regular borrowing procedures. To support their newly established economic entities, most units make loans to them from the extra-budget funds as seed money. However, a large number of units fail to make out the proper loan agreements. Instead, the loans are entered under the "temporary payment" category on the books. Should the loan be used to pay investment dividends or interest on loans? That is not clearly stated. Also left undefined are the two parties' rights, responsibilities, and interests. Even the loan's maturation period is unclear. In the course of time it becomes difficult to track down where funds have gone, determine whether they have been lost, or find out who should be held liable.

Buildings, stadiums, and houses are rented out for excessively long periods without going through the standard evaluation and bidding procedures. In pursuit of profits, administrative and institutional units lease out the buildings, stadiums, and land for overly long periods of time. The land is not appraised prior to the lease and there is no bidding before a building is rented out. When land and buildings are leased out at bargain rates for excessively long periods of time, the interests of the state suffer directly.

Loss of State Assets in Assets Disposal

Land is being sold off at low prices. Some units allocated land have made a fortune in real estate speculation. Public housing is being sold at medium or low prices. Hengyang Shi in Hunan Province is one city experimenting with housing reform. By late June 1993, 3 million square kilometers of public housing had been sold at prices averaging no more than 120 yuan per square kilometer, while it cost between 950 and 980 yuan to build one square kilometer of comparable housing in the city and commercial housing was being sold at 1,200 yuan per square kilometer. In other words, public housing was sold at one-eighth the cost and one-tenth the market price.

PROVINCIAL

Shanghai Official Comments on Pudong's Development

94CE0399A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 7, 7 Feb 94
pp 5-8

[Article by staff reporter Chung He (4429 0735): "1994: Pudong's Year of New Image; Interview With Zhao Qizheng, Shanghai Deputy Mayor and Director of the Pudong New District Administrative Committee"]

[Exerpts] Pudong, a resplendent, bright pearl rising in the east! Since Deng Xiaoping made his important speech during his inspection tour of southern China, it has changed every year, and every three years, it has changed

greatly, displaying its strong vitality and developmental staying power, becoming a new growth spot and comprehensive trial zone for developing Shanghai's economy. It has received wide and close attention from everywhere, both overseas and domestic, and especially in financial, investment, enterprise, and transportation circles.

With the coming of the new year of 1994, in order to gain a deep understanding of the new achievements and new steps in developing Pudong, and answer some questions raised by Hong Kong and overseas people concerning that development, a delegation headed by the Director of our magazine XIE MINGGAN [6200 2494 1626] recently made a special trip to Shanghai to interview the Deputy Mayor Zhao Qizheng, who is in charge of Pudong's development.

Deputy Mayor Zhao met Xie Minggan's group in a tastefully decorated guest room in Pudong's New District Administrative Committee. Outdoors it was harsh winter, but indoors it was as warm as spring. The host and his guests chatted cheerfully and humorously. Deputy Mayor Zhao is very busy in his work, but he is an energetic and quick-witted person. He is very familiar with Pudong development, and after exchanging a few words of greeting, we came to our topic.

Question: In 1993, Pudong New District tried to strengthen its general supportive function for city construction on a base of stressing doing well the job of developing the role of key small districts, strengthening comprehensive treatment of social development, as well as making further exploration of developing the operation of the socialist market economic system. Please outline 1993's achievements in these areas.

Answer: On New Year's Day 1993, the Shanghai government established the Pudong New District Administrative Committee to speed up Pudong's development and implement comprehensive and unified administration for the new district. During the year, Pudong New District has developed rapidly in various areas.

(1) There was a great deal of growth in the domestic economy.

—The gross domestic output value has achieved "doubling in three years." Last year, the gross domestic output value in the New District reached 16.4 billion yuan and, if calculated by comparable prices, it increased 100 percent since 1990 and 30 percent since 1992. Meanwhile, service industries have been increasing at the same rate as the gross domestic output value. Last year, the increased value of service industries reached 4.66 billion yuan, a 46.6 percent increase by the same rate, higher than that of secondary industry.

—Fixed asset investment increased one-fold over 1992. The investment mix tended to be more reasonable. Construction of the city's infrastructure and the rate of investment in service industries increased significantly.

—Financial income increased at the same rate as the gross domestic output value. Last year, the district level

financial income took in 1 billion yuan in the New District, which was a more than 70 percent increase over 1992.

—The financial ability of financial organs in the New District increased one fold. Last year, the balance from deposits and loans in 10 domestic banks Pudong branches was over 50 billion yuan, a one-fold increase over 1992, which showed fully the significant achievement of the strategy of "finance is first" in Pudong development.

(2) Overall achievements in urban construction.

Enthusiastically helped the city to complete such big and important projects as the Yangpu bridge, the Pudong section of the inner circle, two massive interchanges, the new port zone of Waigaoqiao, the Linqiao water works, etc.

Paid close attention to projects for widening and remaking seven backbone roads such as Yuanshen Road and Longdong Road which connect small development districts and major municipal works. The total length is 20 Km, with total investment of 1.2 billion yuan. After working day and night for half a year, it was finished completely in December of last year, which further improved the environment for investment in Pudong.

(3) Key small districts in the New District have entered a new stage of functional development.

In keeping with the State Council's strategic decisions concerning Pudong's development and opening, last year we set out new development objectives for fostering and strengthening functional development in each key, small, development district. At present, construction is fully under way on 50 financial and trade buildings in the Lujiazui Finance and Trade Zone, an emerging, embryonic form of China's CBD zone; the 200 projects imported to the Jinqiao Export Processing Zone are listed as number one among all development zones in China from their average investment of US\$15 million per project. In addition, the production rate of 30 projects has put them into a profitable phase; the Waigaoqiao bonded zone has \$2.3 billion total investment from foreign business, and the Shanghai bonded production materials market, the largest such in China, has gone into full operation; the Zhangjiang High Technology Zone is also following closely, with mutual development of each key, small district's support function, creating the conditions for the New District to accomplish its historical mission.

(4) Strengthened comprehensive treatment of social development in the New District.

The New District gives considerable attention to building moral civilization and comprehensive social treatment, insisting on anti-corruption, advocating honesty, and promoting legal construction. First of all, we established the Chuansha Police Office, and hired 14 legal specialists and well known lawyers to make up a legal consulting group for the New District; the Labor Department in the New District adopted positive reform measures, arranging appropriately compensation for farmers whose land was

taken for the New District; as for the social problems brought on by a large number of migrants, the New District promptly researched countermeasures, strengthened administration, and vigorously went after a small number of criminals to guarantee a stable social environment for developing and building Pudong.

(5) Positively studies the establishment of a socialist market economic system of operations.

This includes, primarily: centered on the strategic goal of building up Shanghai as an international economic, financial, and trade center, the New District has enthusiastically invited foreign capital banks to establish branches in Pudong, and attracted international capital through multiple channels (there are now 26 foreign capital branch banks, and foreign capital or joint venture financial corporations). The first one established was the Waigaoqiao bonded production materials market (to date, there are four branch markets). We established a State-owned assets administrative corporation in the New District, to strengthen administration of State-owned assets. We have enthusiastically developed a personnel market and a technology market, and experimented with the reform of an agricultural cooperative joint stock system.

Question: You have proposed that 1994 should be Pudong New District's "year of image-making." Could you tell us what kind image will Pudong have before the world in 1994?

Answer: We call 1994 our "year of image-making," because Pudong has a three step goal of laying a foundation by 1995, forming the primary framework by 2000, and then establishing ourselves as an international economic, financial and trade center by 2010, so the primary image for the "foundation" of 1995 should make its general appearance in 1994. Primarily, this means:

—The image of infrastructure: while there will be support for the major and important municipal works associated with the eastern and western parts of the city, the key lies in 10 infrastructure projects in the New District, including supporting projects in the Pudong section of a double line tunnel, an axial highway, the project to widen Zhangyang Road, around the periphery of the river, and a group of interchanges, transformers and substations, etc., add 200,000 cable TVs and 170,000 telephones and a group of gasoline stations. This will basically establish a networked system of modernized transportation, telecommunications and energy, displaying the primary framework of a modern urban area.

—The image of municipal appearance and environment: focusing on the 10 fundamental municipal works already completed during the Eighth Five Year Plan, we will begin a comprehensive project of afforestation and environmental protection around the tourist routes and major scenes in Pudong. We will especially increase forest construction, starting to build such forestry projects as Central Park, Dezhou Park, etc., adding 2 million square meters of wooded areas in the new district. This will further improve the municipal appearance and environment of Pudong New District. —The image of the new

city center area: in 1994, on the other side of the Bund, the Eastern Shining Pearl TV tower and the first section of Bingjiang Avenue will be completed, and construction will start on Fudu World. Meanwhile, more than 30 buildings around that area will reach over 40 meters of their major structure on the ground, and nearly 20 buildings will be completed. This will give Pudong's new Bund a beautiful appearance.

—The image of a modernized processing zone for exports: in the Jingqiao processing zone for exports, six square km of "seven throughs and one flat" will be developed and built, which will bring in a total of more than 300 domestic and foreign capital projects. There are now 200 projects under construction, and nearly 100 enterprises including Hitachi Electric and Sharp Air Conditioning, have finished construction and gone into production. This has achieved a yearly output value of three billion yuan, becoming the processing base for export with the shortest construction cycle, richest technical content, fastest economic efficiency, and best environment protection in China.

—The image of a free trade zone: in 1994, in the Gaoqiao Bonded Zone, construction will end on 6 square km of "seven throughs and one flat," and a 4 square km area will be closed and put into operation. For the more than 1,000 Chinese and foreign capital enterprises which are engaged in entrepot trade, or international trade, the volume of their import and export business will be double that of last year. The Shanghai bonded production materials exchange market has been formed to a certain degree, with a focus on steel, construction materials and textile raw materials.

—The image of commercial culture: the Wendeng Road commercial street will be finished comprehensively, forming the New District's first street for tourist sightseeing and shopping. Covering 600 thousand square meters, equivalent to about two Nanjing Roads, its commercial facilities are under accelerated construction. Meanwhile, a group of projects consisting of a newly established elementary school, high school, hospital, welfare facility and sports center, a golf course, etc., have gone into construction. In the Zhangyang Road and Huanmu areas, these will create a brand new image for the Zhangyang Road commercial center, developing and building an attractive commercial, tourist and cultural center, complete with municipal government, culture, and central park.

Question: In 1994, the Chinese government will implement important reforms in the tax system. What affects will these have on Pudong New District's development and construction? Will the environment tend to be loose or tight?

Answer: On 1 January, 1994, China launched tax reforms in areas dealing with foreign investment enterprises, abandoning unified industrial and commercial taxes, implementing a value added tax, a consumption tax, and a business tax. The principal objective is to simplify the tax system and correspond to the international tax system.

Internationally, and especially in the developed nations of the West, a value added tax is collected on the value added part of goods sold; while China formerly collected a uniform industrial and commercial tax on goods sold by foreign nationals' enterprises, the tax linked to goods sold could not be deducted directly within the borders of China, but would have to be waived or returned to customers or import-export organs in accordance with the regulation of duty free or tax return. This way takes a long time, has many steps, and is quite complicated. Now, having our system in line with the western tax system will totally resolve the problem of deducting and returning the tax.

After the new tax system has taken effect, the Chinese Government will adopt certain measures to protect the profits of foreign businesses. We have already made it clear that to ease the added tax burden tax reform causes for foreign enterprises, within a certain period we will adopt such measures as tax rebates, temporary delays in collecting the tax, etc. This will enable foreign investment enterprises to maintain their former tax burden, and not increase the circulating tax burden.

In addition to this, Pudong New District will not make any changes in the preferential income tax policies for foreign investment enterprises and foreign enterprises. Therefore, the Chinese Government's major reforms in the tax system will be favorable for regulating the investment environment in Pudong New District, giving it a better investment future.

Question: How about the scale of the enterprises investing in Pudong New District with the three types of capital? What have you done to attract the world's famous transnational corporations to invest in Pudong, and what do you plan to do in the future?

Answer: At the end of 1993, Pudong New District had approved a total of 1,625 enterprises invested with foreign capital, having a gross investment of \$6.546 billion, and agreements to absorb \$3.269 billion in foreign capital, with a per enterprise average investment of \$4.02 million with the three types of capital, and \$2.01 million agreed to on absorbing foreign capital. This makes us fourth nationally, and higher than the average investment level (\$2.3 million). Among these, 178 enterprises invested with the three types of capital have over 5 million dollars' gross investment, constituting 10.9 percent of the total foreign invested projects in Pudong, 65 percent of the gross investment, and is up to \$4.255 billion. There are 117 enterprises which have over \$10 million gross investment, constituting 7.19 percent of the total number of projects, 59.03 percent of the gross investment and is up to \$3.864 billion. At the end of 1992, the average project had 45 percent foreign capital content, while in 924 projects approved throughout 1993, the average foreign capital content had increased to 55.3 percent. [passage omitted]

Question: Currently, land leasing in Pudong still mostly takes the way of approving leases through agreement. From now on, will you go the way of inviting vendors or auction, which is more common in the world, bringing land to full efficiency in market competition?

Answer: We always persist in valuing land as if it were gold. Since establishing the New District Administrative Commission, we comprehensively strengthened land development administration, and initiated a chargeable land using system.

In Pudong New District, development and construction on whole pieces of land is generally done through investment by the city government or the New District Administrative Commission, and chiefly by state-owned corporations buying the land from the state, conducting "seven throughs and one flat" construction on it, after which there is another transfer. In addition, a small amount of land is directly approved for rental to foreign business and their domestic associated enterprises. To date, nearly 50 square km in whole parcels of land have been taken and transmitted by the six big state-owned development corporations, and one-third of these have completed development.

In 1993, in order to strengthen land administration, we put a stress in our land management work. By persisting in approving land according to the projects and approving projects according to their efficiency, we achieved orderly land development, with basically no land available for "land speculators."

While chiefly going the way of approving leases to transfer lands, we are breeding the means of inviting vendors or auction, which are common throughout the world. In the first part of this year, we will extend initial invitations to vendors on a piece of land about 6 thousand square meters (Zhangyang Road 23-G). We are now preparing the plans for this.

Shanghai Begins Property Right Exchange Operation

94CE0434A Shanghai WEN HUI BAO in Chinese
17 Mar 94 p 1

[Article by staff reporter Sun Zhonglian (1327 0022 6647): "Shanghai Property Rights Exchange Operation Next Month"]

[Text] Established by the 1994 No 1 approval document of the Shanghai People's government, the Shanghai Urban and Rural Property Rights Exchange Office will officially go into operation at the beginning of April. The Chairman of the Exchange Office Gong Jiemin [7895 0094 3046] told me days earlier that over 100 medium and small scale enterprises, having an average capital value of 2.8 million yuan, had applied to enter the exchange market. From these, the Exchange Office has selected 30 enterprises having good efficiency to be the first group of enterprises on the market.

Enterprise property exchange is the inevitable outcome of developing a socialist market economy. Compensated property transferral is useful to setting the parameters of enterprises' property rights, and smoothing enterprise property rights relationships to preserve or add value to state-owned or collective assets; it is favorable to straightening out the assets of current enterprises, and especially

straightening out the assets of enterprises with low profitability and suffering losses, to realize a reasonable asset flow. The establishment and operation of the Shanghai Urban and Rural Property Rights Exchange Office demonstrates that Shanghai has once again take a new step towards establishing the new socialist market economy.

Because exchange of enterprise property on the market is still in the explorational stage in China, Shanghai has chosen to take the easy steps first, and defer the difficult for later, then progressively expand the process, starting with collective enterprises. The newly established Shanghai Urban and Rural Property Rights Exchange Office is under the charge of the Agriculture Commission, the Municipal Office of System Reform, the Municipal Bureau of Commerce and Industry, the Municipal, Suburban, and County Industrial Bureau, and the Municipal Land Bureau, all members of the Administrative Commission. The property exchange office will adopt the membership system to absorb a group of financial and investment organs, large scale enterprise groups, and foreign capital organs as members of the operation (brokers). These are specialists in acting as exchange agents, and self-operated businesses and enterprises on the market can entrust brokers to conduct exchanges. What is different from other exchange offices is that in property exchanges, the exchange involves not only material objects of assets, but invisible assets as well. The process will consist of registration and application, making public notice of their going into the market, negotiation and inquiry, striking a deal via computer, signing the contract, revising the registration procedure, etc. It is stronger technologically, with more widespread involvement. By gathering opinions widely, and making multiple revisions, the property exchange office has formulated seven regulatory documents, including the rules of the office, temporary administrative measures for members, etc. From now on, enterprises must go to the property rights exchange office for public transfer of property rights, while the assets evaluation department conducts an evaluation of the enterprise assets, and make it known publicly. Through negotiations and inquiry, all parties on the accepting side will offer bids by computers, and the party offering the higher price will be favored in obtaining the exchange. The exchange office and the brokers will supply supporting "integrated" services for property rights exchanges for enterprises.

At present, all preparation work prior to the Shanghai Urban and Rural Property Rights Exchange Office going into operation has been completed. Staff who have had primary business training and the first group of brokers are in position, the exchange computer system is installed with debugging fully under way, the property exchange information network has been primarily established, composed of Shanghai information transmission organs, each province's asset administration organs, Shanghai's overseas organs, etc. Review and verification has also been completed for the first group of 30 enterprises in the market.

FINANCE, BANKING

Suggestions on Implementation of Tax Assignment System

94CE0403B Hong Kong TANG TAI

[CONTEMPORARY] in Chinese No 35, 15 Feb 94 pp

[Article by Zhang Wen (4545 7186): "Perfecting the Taxation System: Effectively Dealing With the Relations in the Intended Tax Assignment System"]

[Text] Because delineations in matters of rights and responsibilities are vague, some localities frequently exceed the limits of their authority, thereby impairing the central authorities's macro-regulation of the national economy, and thereby also restricting any full development of the very function of taxation.

Since 1979, main emphasis in the systematic reform of the tax system had been placed on effectively dealing with the relation between state and enterprises in matters of distribution, and the readjustment of the relations between central government and local government finances had been neglected. It is for this reason that the current system of tax management lags behind the reform of the tax system. This is the cause of much confusion in actual practice, and is one of the primary reasons for the prevailing vague delineation of rights and responsibilities as between the central authorities and the local authorities. As a result, it is now an extremely widespread occurrence that local authorities exceed the limits of their own administrative authority and infringe on central authority domain. This, in turn, adversely affects the central government's ability for macro-regulation of the national economy, and also restricts the full development of the very function of taxation. It has therefore become even more urgent to initiate a system of tax assignments.

Which Specific Form of Tax Assignment System To Select?

We may select one of the following forms for the intended tax assignment system:

1) the form in which all tax categories are clearly divided up; 2) the form in which the various tax categories are divided up, but which also includes some that are jointly shared. The method of sharing the joint categories may be either by separate collections, by proportionate distribution, or by surtaxes and refunds; 3) the form of mainly separately sharing in tax rates.

The first form may be considered the unitary system, and the two other forms may be called mixed forms. Generally speaking, adopting the form of completely dividing up all tax categories would be the most thorough way to do it, as it would make it possible, through the division of the tax sources, to clearly establish the income distribution between central authorities and local authorities. It would also make it possible, by adhering to the principle of unison of financial rights and responsibilities, to improve the dismal state of central finances. One may, however, counter that this is only good as an abstract theory, and that it is almost impossible in actual practice to truly effect

so clear a division. The reason for this is that there is a multitude of factors that cause changes in revenue and expenditure of public finance. Generally, it is easier to adopt a mixed form, as these forms will have a certain elasticity in the division of tax revenue. Looking at the actual conditions in China, we see that, on the one hand, it has been customary for a long time to share revenue, and, on the other hand, that any division in the tax system is beset with many practical difficulties, because the tax sources cannot all of a sudden be divided up thus clearly. It is therefore my opinion that adoption of a form that provides for common sharing would be more feasible and more appropriate. As to which specific pattern to choose among those available in this kind of a form with common sharing, no preference can be claimed by any one of them, but the pattern of proportionate sharing comes closer to Chinese usage.

How To Resolve Regional Differences?

For the resolution of regional differences, there are the following alternatives:

1) The method of "large unison with small differences." That would mean, the norms for tax sharing would be more or less the same for the whole country, and economically backward regions would have to use other means, such as subsidies, preferential treatment, etc. to achieve in effect a policy of due differentiations in regional treatments.

2) The method of "small unison with large differences." That would mean, that districts throughout the country would be classed as high, medium, and low categories, according to disparities in economic development, and that different methods would then be applied to the different categories.

In my opinion, the first method would be preferable. This method would have the system appear as much more unified, and it would also avoid making the system excessively cumbersome and complex. It would help keep the whole tax management system appropriately simple and be more convenient in the actual application of the new system. Adopting the method of subsidies would conform to international practices, and would, compared with China's traditional method of large disparities, give full scope to the redistribution of financial resources. It would also strengthen the supervisory powers of the central authorities over this part of the funds and would also impel the local authorities to properly use these funds. In the opposite case, if the second method would be adopted, it could engender in its actual execution—judging by the performances of the past—much imitation, mutual rivalry, and evasive compromises, while it would be difficult to appropriately decide on the particular categories of the districts.

Establishing a Scientific System of Indices

The greatest difficulty in every past attempt to reform the management system of public finance was the determination of the base figures for regional revenue and expenditure and determining the proportions to be shared by

central and local authorities. The main causes for this appear to have been the lack of a rational system of indices and of subjective will, and the dominant position of vested interests. Normally, the figures in the final accounts of revenue and expenditure of a certain year or of several years were taken as reliable data for the determination of the base figure, and based on these, the proportions of income to be shared by central and local governments would be determined. Because these figures are subject to fortuitous changes over short periods of time, this method lays the seeds for future fights over base figures and proportions between central authorities and local authorities, and leads—in fact did so for a long time in the past—to unending wrangling during the process of demarcating revenue and expenditures, which then had also each time adversely affected the results of the reforms. The tax assignment system that is now being planned must absorb the lessons of the past several attempts at reforming the system of public finance, and must first provide a scientific system of indices, and on that foundation rationally demarcate the tax revenue for the various levels of governments, so as to ensure feasibility as well as stability of the new system.

Appropriate Delineation of Levels of Tax Management

The ultimate purpose of the delineation of levels of tax management is the accurate division of responsibilities and limits of authority as between governments of different ranks. Judging by the successful experiences in other countries with the tax assignment system, tax management levels are to be always identical with the levels of political administration; commonly there are three levels of administration. In view of the actual situation in China, it should also be considered to differentiate, in conformity with the levels in public finance administration, between the three administrative levels: the central authorities, the provinces (autonomous regions, centrally controlled municipalities), and the counties (cities), each with its own tax sources. Taxation at the latter two levels would then constitute local taxation. This kind of demarcation would essentially conform to the levels of political administration in China, would be comparatively clear, and also convenient in actual management. However a few points must be explained here:

1) Village finances, even though one level of financial administration, need not be a separate and independent level, because village governments have very limited responsibilities and authority, and bear almost no economic functions. Their affairs could therefore be administered unifiedly at the county (city) level. 2) Delineation of the limits of administrative authority of the provinces is extremely important, because the provinces bear the heavy responsibility of dealing with a dual distribution relation, namely between central authorities and provinces and between provinces and counties; they must have a considerable scope of authority. 3) Because cities with provincial status enjoy administrative authority equal to that of provinces, their revenue and expenditure is not connected with those of the provinces. They can therefore be administered in the same way as provinces. Moreover, even

though these cities have a lot of tax revenue—most are one of the supporting pillars of their provinces—according to the guiding idea of the “great unison,” they can also only adopt the same indices, just as throughout the entire country, in the delineation of tax revenue. This may also promote their even faster development.

Specific Designs for the Intended Tax Assignment System

The key question in designing the tax assignment system is the renewed determination and demarcation of financial authority and financial resources as between the central authorities and the local governments. This touches on the interests of both sides. On the one hand, the principle of unison of financial authority and executive power should be upheld; on the other hand, however, it is also necessary to consider a series of other factors, such as the macro strategic objectives of the state, social policies, and the functions of local governments. Determination of financial power and financial resources between the various levels of government must mainly be accomplished through the delimitation of tax categories, tax rates, and tax management.

The idea of demarcation of tax categories. In the demarcation of tax categories, i.e. in the question of how to select the tax sources of the central government and those of the local authorities, one may adopt different models. At present, different opinions are held by different circles of society. In my opinion, a choice has to be made between the following two models:

First Model: The starting point in one's considerations must be the need to ensure revenue and to ensure the central authority's ability to effect regulation and control. According to the special characteristics of the tax revenue structure in recent years, the first consideration must be to preserve the financial resources required by the central government for its normal functions. Second consideration must be to distribute between central and local authorities when tax revenue increases. Third consideration must be the degree of difficulty encountered in levying and administering the taxes, because for some tax categories collection and administration may be a dispersed affair and posing great difficulties in administration. Such taxes must not be made tax categories of the central authorities, but may be administered by the local authorities.

According to the above-stated principle, product tax, value-added tax, special activities tax are tax categories that should be assigned to the central authorities. Income tax of enterprises, social security tax, and business tax are tax categories whose tax sources are closely linked to economic development and which are characterized by great unevenness. These tax categories may be commonly shared by central authorities and local authorities. Most of the remaining tax categories may be made local tax sources.

Second Model: Dividing up tax categories according to their nature into those to be tax sources of the central authorities and those to be tax sources of the local authorities. First, customs duties, which are needed to maintain

the sovereignty of the state, and the salt tax, which is best unifiedly administered by the state, must be designated central authority taxes. Second, high-rate product tax, which the state uses as a means to prevent duplication of production, the fixed asset investment tax for the regulation of investment activities, also taxes on relevant activities of a special kind, must be assigned to the central authorities. Third, in the case of large items of tax revenue, which ensure the financial resources of the central authorities, such as value-added tax, it may be considered to assign a large proportion of them to the central authorities as their revenue. Some other taxes, directly related to production and circulation, may be assigned, because of their rather wide fluctuations, to both the central authorities and the local authorities for common administration, so that both may have benefits from them and also commonly bear the risks. Tax categories that are of less value, for which collection and administration is scattered over a wide area and that have a local character, may be left to be the fixed revenue of the local authorities.

Delineation of the limits of authority in tax management. Authority in tax management comprises the right to legislate on tax matters, the right of interpretation, the right to adjust tax rates and tax items, and the right to reduce taxes and exempt from taxes. This delineation is closely linked to the demarcation of tax sources. As the levels to which the tax categories belong differ, so differ the levels of authority in tax management.

The basic demand in the demarcation of tax management authorities is to appropriately expand the administrative authority of the local governments, always on the precondition of ensuring the central authorities' ability to exercise macro-regulation and control. It is possible to prescribe in general that governments of all levels shall enjoy authority to manage their own tax categories. In this way, the legislative power in matters of central authority taxes is exercised by the National People's Congress. The State Administration of Taxation is responsible for interpretations and for the promulgation of enforcement provisions, which will then have to be enforced by tax bureaus at all level. The legislative power in tax matters of governments of the provincial level is exercised by the provincial people's representative assemblies, and tax rules are interpreted by the provincial tax bureaus, who will also promulgate enforcement provisions and enforce the tax rules. Taxation at the county level is handled similar to the procedure at the provincial level. At the same time, the local governments have certain rights with regard to taxation initiated for new tax categories. All legislative power concerning tax categories that benefit both the central authorities and the local authorities rests with the central authorities, so as to ensure revenue for the central authorities and to strengthen the central authority's control over the local authorities. However, the enforcement authority may, according to different circumstances, be assigned to both to exercise in common, as this may be beneficial for raising enthusiasm among the local authorities.

To bring the above plan closer to realization, the authority in tax management may be assigned in the following administrative forms:

Central authority taxes are to be legislated and enforced by the central authorities, and the entire administrative authority over them is centralized in the central government.

In the case of taxes benefiting jointly both the central authorities and local authorities, the central government is to legislate and the State Administration of Taxation is to interpret and to determine specific enforcement provisions. The right of adjustments and the right to reduce taxes and exempt from taxes shall be exercised separately by either the central authorities or the local authorities.

The province- and county-level governments shall each separately have authority in the administration of most of the local taxes, and the central authorities shall not have the right to interfere.

Province- and county-level governments, acting within the sphere of their jurisdictions, may, as circumstances demand, initiate taxation in new tax categories. Administrative authority over these tax categories shall completely be exercised by the local governments, so as to have the local authorities enhance their financial resources, raise enthusiasm for revenue increases, and also because it will be beneficial for greater involvement of the local governments in the local economic activities of their own localities.

FOREIGN TRADE, INVESTMENT

Resolving Trade Statistics Problems With U.S.

94CE0385 Beijing GUOJI MAOYI [INTERTRADE]
in Chinese No 146, 15 Feb 94 pp 6-8

[Article by Han Shujun (7281 3219 0689), Director of the Financial Planning Office, Ministry of Foreign Trade and Economic Cooperation: "Several Opinions on Causes of, Methods for Resolving Disparities in Bilateral Trade Statistics"]

[Text] [Editor's Note] There have been rapid developments in China's foreign trade since reform and the open-door policy. Concurrently, there are ever larger discrepancies in statistical data between China and the world's major trading partners which create more trade friction. Towards this end, the author explores the causes of and methods for resolving statistical discrepancies produced in country-to-country trade from the perspective of international trade statistical theory and methods. In awaiting a correct conclusion, this publication welcomes manuscripts from many statistical experts and scholars in hopes of further discussion and research on the issue.

Following rapid development of China's foreign trade in recent years, there have been ever larger disparities in statistical data between China and the world's major trading partners. The trend is increasing. The issue of bilateral statistical figure disparities is common worldwide in inter-country trade, for example, between the United States and Japan, Japan and Germany, Germany and the United States, or France and Canada. Many reasons account for the disparities, such as different trade statistic

principles, the scope of trade statistics, trade record systems, ad valorem standards, currency conversion standards or different statistical time periods. Trade statistic principles are the fundamental cause of bilateral trade statistic disparities.

I. Trade Statistic Disparities Created by Using Producer-Consumer Country Statistical Accounting Principles

At present most countries and regions in the world use the country of origin as the import statistical accounting principle and the end-user (destination) country as the export statistical accounting principle (abbreviated as producer-consumer country). China's import and export statistics published overseas also are like this.

A. Implications of producer-consumer country statistical principle.

Country of origin generally refers to the producing country of agricultural products, the country extracting mineral products (entirely or partially), or the manufacturer of manufactured products. For example, with partial manufacture it usually is understood that country of origin refers to the country responsible for the final stage of the manufacturing operation before a commodity takes final form. Consumer country refers to the ultimate consuming, using or further processing country of a said commodity at the time of transport, including commercial transactions which occur in intermediary countries.

B. Advantages and disadvantages of producer-consumer statistical principle

1. According to country of origin statistical analysis of imports, it is advantageous to indicate the direct relationship between the producing and importing countries. Such material is essential for managing import quotas and implementing differential duties. The basis for determining country of origin comes from the regulation of place of origin. Countries which use place of origin regulations both must determine exported commodities from their own country and also utilize place of origin regulations to determine the place of origin of imported commodities. The role of country of origin statistics is more prominent under current conditions of emphasizing fair trade and stronger trade protectionism. Place of origin regulations themselves are a type of trade policy or means of trade management. They are preferential treatment given by one country to another or standards for determining quantity restrictions on imported commodities (such as textile quotas and other commodity quotas). As for some developed countries, they also restrict foreign investment enterprises which produce, process or assemble products from using its status in the country to seize its markets. For example, the EC strictly regulates Japanese processing and assembly enterprises (which are called "screwdriver factories") on its territory; certain products are only considered EC products when more than 50 percent of added value is done in the EC. The United States has established automobile parts enterprises in Canada and Canada has stipulated that products must have a relatively high proportion of added value before

they can be considered to be Canadian products. The aim of such practices is to reduce situations where the country itself has no foreign exchange income but wants to assume a trade surplus. To a certain extent such practices naturally restrict the inflow of foreign investment. Used for export statistics, the concept of "consumer country" mainly is to understand the relationship between producer country and importing country.

2. The main disadvantage of the producer-consumer country principle. Considered from the aspect of country of origin, country of origin regulation standards differ in stipulations because various countries have different degrees of industrialization and different trade policies. There is still no binding international pact. For example, regarding country of origin, besides tallying with the definition of country of origin stated by the United Nations, the major developed countries, in particular with regard to determination of country of origin for countries partially manufacturing finished products, stipulate that processed products should have a rather high proportion of added value (varying 40 to 60 percent). That is to say, country of origin must at the same time possess two conditions: responsibility for the final stage of manufacturing and added value proportion (actual proportions of various countries differ). Some countries take the country responsible for a commodity's final stage of manufacture just prior to its ultimate form as the major determinant. A commodity's added value proportion (generally speaking, the added value proportion is comparatively low, at around 25 to 30 percent) is the determinant only when it is impossible to determine the final manufacturing country. Ordinarily, country of origin determination for an imported commodity is based on the customs declaration form filled out by the importer. The importing country uses its own country of origin regulations to determine only when questionable. Obviously, although use of country of origin principle statistics for imports accords with international custom, it actually has created difficulties in comparing statistics between countries. Considering the consumer country's perspective, a country often cannot determine a commodity's ultimate consuming country because it is extremely difficult to record accurately, particularly when goods are not directly shipped to the importing country from the producing country. A country often cannot determine a commodity's ultimate consumer country. It is also difficult to make determinations from statistical origin evidence (customs declaration forms). Furthermore, one country's statistical boundaries may not extend to other countries and regions. Therefore, material on consumer country statistics on exports actually are very incomplete and inaccurate.

3. The serious insufficiency of adopting the consumer country principle for statistics also lies in that if goods are not imported directly from the producing country, there is no way for the exporting and importing countries to have corresponding statistics for the same goods. Thus it is harmful to comparing statistics among partnering countries. Analyses of trade conditions with such statistical information, in particular analyses of international income and expenditure situations, will play a harmful role.

An example of Sino-U.S. bilateral trade statistics: According to Chinese statistics, if it is known that the consumer country of a batch of goods is the United States at the time of export, it is listed as U.S. export statistics. If a batch of goods is known to be headed for Hong Kong at the time of export, it can only be listed as Hong Kong export statistics. As for this batch of products later being transshipped from Hong Kong to the United States without China's knowledge, then naturally there is no way to list it statistically as exports for the United States. According to U.S. statistics, if a good is produced in China, regardless of whether it is directly imported from China or via Hong Kong, country of origin import statistics uniformly list it as an import from China. Thus, U.S. export figures greatly exceed Chinese statistics to the United States. Likewise this applies to goods flowing in the opposite direction. Obviously the more Chinese commodities in entrepot trade through Hong Kong, the greater the disparity in figures with countries concerned.

2. Comparatively large added value of Chinese commodities in entrepot trade through Hong Kong expands trade statistic disparities with countries concerned.

Chinese commodities have comparatively large added value after entrepot trade through Hong Kong; information indicates that added value rates are higher than 50 percent. Because entrepot trade belongs to the category of third-country (region) trade activity, it does not cause "an increase or decrease in the quantity of material resources" of the exporting country (the UN definition of trade). Thus the added value portion is not entered into the trade statistics of the exporting country. However according to the importing country's origin standards, they are still considered to be commodities of China. Thus they actually are considered imports from China in importing country statistics, producing figure discrepancies. Chinese commodities transshipped via Hong Kong mainly are headed for the United States, Germany and Italy. It clearly is irrational that entrepot commodity added value artificially enlarges trade surpluses with these countries.

3. Suggestions for resolving the matter

Of the above two major causes for discrepancies in trade statistics between China and countries concerned, the producer-consumer country statistical accounting principle is the fundamental cause. The issue of bilateral trade statistic discrepancies presently complicates bilateral trade negotiations. It is imperative to resolve the issue. I believe that the following are considerations.

1. Reappraise standards for belonging to trade partnerships and select more scientific and rational statistical principles differing by country. Regarding trade partner countries, the United Nations book, *Concepts of International Trade Statistics*, notes that one can select country of origin, dispatch country, or country purchased from for imports, and consumer country, destination country or purchasing country for exports. For imports and exports together there are nine types of trade partnership country combinations in all. Except for "country purchased from/purchasing country," which is denied by the United

Nations, all the other combinations are recommended by the United Nations. At present relatively many countries in theory use the "country of origin/country of consumption" principle because of economic system and trade management needs, ease of statistical accounting, or tradition. From the analysis above, it is evident that although the "country of origin/country of consumption" principle is convenient for trade management, it is harmful to international comparability of trade statistics. Moreover, 70 years have passed since proposal of this principle; it is unsuited to the contemporary ever-increasing growth of international entrepot trade. For export statistics of "country of consumption" in particular, since it is difficult to track and determine the country of consumption, actually some countries gradually have begun to use the "destination country" concept. That is, for imports they use country of origin and for exports, "destination country." However, this principle is unable to eliminate the matter of poor international comparability. Besides recording a country's international import and export situation, an important role of international trade statistics is in making international comparisons. At present the issue of international incomparability weakens the role of trade statistics. Thus it is necessary to reappraise and select criteria for belonging to trade partnerships.

Use of "dispatch country/destination country" criteria can eliminate the incomparability of international trade statistics. In the "dispatch country/destination country" principle, the first refers to the country which sends goods to an importing country under conditions where there is no intermediate commercial transaction whatsoever. Destination country refers to the ultimate destination of goods destined for export under conditions where there is no intermediate commercial transaction whatsoever. Arranging trade statistics by this principle accords with the United Nations' definition of international trade: namely, bringing about the movement of an increase or decrease of the stores of goods of a country (or region). According to the "dispatch country/destination country" principle, the importing and exporting countries of goods both can record the same transaction of goods. If an importing country resells the goods to a third country thereafter, the importing country and the third country both have a record. The third country's statistical information can reflect the entire course of the goods. In this way, both the import and export transactions of the goods can be accurately recorded, allowing rational comparability between the trade statistics of the exporting and importing countries.

3. The "dispatch country/destination country" statistical accounting principle should be used as soon as possible. After analysing and comparing several criteria for belonging to trade partnerships, I believe that this principle is most suited to international trade statistic comparisons. Use of the producer-consumer country principle to reflect trade surplus conditions between countries is unacceptable, incorrect and irrational. Use of the "dispatch country/destination country" principle can accurately reflect the international income and expenditure situation of a country or region. Basing trade statistics on it also is

beneficial to bilateral trade negotiations. For example, if Chinese commodities are sent to Hong Kong, then China considers them Hong Kong export statistics. Hong Kong statistics will reflect if Hong Kong transports them to any country at any additional value. For example, if a Chinese commodity is sent on to the United States via Hong Kong, at 50 percent added value, Hong Kong uses the "dispatch country/destination country" statistical accounting principle as an export to the United States, tallying with that of the United States' imports from Hong Kong. Therefore, use of this principle should be established as soon as possible. It is beneficial to managing international trade affairs. Of course, simple use of the principle cannot meet the needs of managing imports. Thus, while using it as a basis for comparisons between countries, country of origin records also have to be kept as the basis for ways to manage implementation of trade.

4. Establish bilateral or multilateral trade statistic coordinating organizations. At present the trade statistic discrepancy issue exists worldwide. Most countries use the producer-consumer principle which lacks comparability. Each country steadfastly believes that its own statistical figures are correct and it is difficult to resolve the matter of different figures. Towards this end, some countries have established bilateral trade statistic coordinating organizations. For example, the United States and Canada, Japan, and the ROK. In particular the United States-Canadian coordinating organization is arranged very well; it has a nearly two decade operation and improvement. Bilateral or multilateral trade statistic coordinating organizations could be established to resolve the matter of discrepancies in trade statistics between China and relevant countries. Specific analyses and comparisons of these differences allow both sides to attain a common understanding.

AGRICULTURE

Nonstaple Food Production Bases Proposed for Yunnan

94CE0420A Kunming JINGJI WENTI TANSUO
[INQUIRY INTO ECONOMIC PROBLEMS]
in Chinese No 2, 10 Feb 94 pp 35-38

[Article by Jiao Gang (3542 6921): "Proposals for New Nonstaple Food Production Bases in Yunnan"]

[Text] Rural productive forces in Yunnan have grown by leaps and bounds in the 14 years since reform began and the open policy went under way, basically solving the problem of hunger. However, the steady increase in urban population and the rising level of consumption among urban and rural households as well as changes in the mix of consumption have sharply boosted demand for meat, eggs, milk, fruits, and vegetables. The encroachment upon suburban land by ever-expanding cities, township and town enterprises, and assorted development zones has also severely weakened the ability of the outskirts to supply cities and industrial and mining areas with agricultural byproducts. The gap between the supply and demand of nonstaple food

has widened. How to narrow this gap promptly and effectively has become a most urgent issue in social economic life in Yunnan.

The most fundamental way to ease the shortage of meat, eggs, milk, fruits, vegetables, and other nonstaple food is to develop a host of nonstaple food production bases with a steady supply capability. This is the new demand of high-quality, high-yield, and high-efficiency agriculture as well as an objective requirement of deepening rural reform in Yunnan and preventing a decline or instability in nonstaple food production in the outskirts of cities. The construction of nonstaple food bases is a piece of systems engineering that requires huge investments, is slow to take effect, and involves all sorts of factors, social, economic, and natural. Where should the bases be built? On what scale? What should they produce? What role should they play? What model should they follow? Where would the required funds and technology come from? How? These strategic questions pertaining to the construction of nonstaple food bases should all be answered based on the requirements of objective economic principles. The answers should have instructional significance and can be used as guiding principles on a macro level.

Considering the reality in Yunnan's development, we should build nonstaple food production bases along the rivers, along railroads, and along the border, selecting from among those areas designated by the state as key development zones, regional urban centers, and border trade development areas. [passages omitted]

Distribution of Nonstaple Food Production Bases

1) The model for the construction of nonstaple food production bases should be based on the specific conditions in Yunnan and chart a path with local Yunnan characteristics. The construction of production bases should be integrated with the development of a high-quality high-yield, and high-efficiency agriculture in the outskirts. It should revolve around the modern suburban non-staple food production bases and be oriented toward the market. It should make use of science and technology and lead the peasants, special households, and Class I villages in creating a nonstaple food production base model that integrates agriculture closely with science, industry, and commerce (trade) and melds production, supply, and marketing into one. This development model has a dual function. On the one hand, it is open to the influence of the urban economy, producing agricultural byproducts and supplying the cities with such byproducts. On the other hand, it serves peasants in the outskirts by organizing their production of nonstaple food and sharing their risk.

2) The Distribution of Nonstaple Food Production Bases: Basic Ideas

[Passage omitted] The concentric circle with the city at the center has indeed been the pattern of distribution of agricultural production bases both in China and elsewhere since ancient times. This gives the distribution of agricultural production the following characteristics. First, the agricultural population fans out from the city, losing in

density the further you go from the center. Second, per capita farmland increases the further you go from the center. Third, the standard of agricultural production drops the further one moves from the center. Fourth, the degree of agricultural commercialization and the level of technology drop off. Fifth, an increasing percentage of the agricultural output is transported elsewhere to be sold. Sixth, the further from the center, the less polluted agricultural byproducts are.

Besides taking into account a variety of social, economic, and natural factors, we must also consider moving the point of lowest costs and site the bases at different levels based on the concentric circle pattern.

A. Bases for the production of meat, milk, and eggs as commodities in the outskirts. Expand, improve, and upgrade the existing pig bases at Fumin, Yiliang, and Jinning and the Fumin poultry and egg bases, turning them soon into pork, egg, and milk production bases in the outskirts that both are comprehensive and have their own respective focuses. In the wake of the development of the Kunming urban region and that of the Lanping lead and zinc mine, we should build three suburban meat, milk, and egg production bases one after another in the Eighth Five-Year Plan and the early part of the Ninth Five-Year Plan in order to satisfy the demand of Kunming, Dali, and the industrial and mining areas as well as the special needs of tourists. By the year 2000, the combined meat output of meat, milk, and egg production bases in the outskirts should be 99,000 tons, up 66.4 percent from the level in 1990, for an average annual growth rate of 5.2 percent. Total annual milk output is projected to be 66,000 tons, for an average annual growth rate of 6.8 percent. Combined annual egg output will be 17,000 tons, for an average annual growth rate of 4.3 percent.

B. Pork production bases in the outer suburbs and outside the cities. Further consolidate and improve the existing 17 commercial pork producing base-counties. Then we should build on that achievement by gradually adjusting the distribution of the bases, shifting the focus to the southwestern and southern parts of the province and forming a cluster of bases to supply major cities including Kunming, Gejiu, and Qujing, and key opened tourist areas like Dali, Dehong, and Xishuangbanna with fresh products in the main, while putting equal emphasis on the production and supply of ham, juanti, and other specialty items. In addition, six pig bases including Simao, Jinghong, Binchuan, and Midu should be built in stages to serve the border ports and tourist areas. By the year 2000 base counties should have a total of 4,623,000 pigs in stock and produce 403,000 tons of pork, boosting the slaughter rate from 70 to 77 percent.

C. Beef production bases. Go all out to develop beef bases and beef, milk, and leather processing. This is where a breakthrough can be achieved to rationalize the structure of Yunnan's animal husbandry industry and create an export-oriented grain-conserving animal husbandry industry. Commercial beef bases should be concentrated in southern and central Yunnan, home to large numbers of Hui people. Special pains should be taken to develop beef

bases in southwestern and southern Yunnan. After the five beef bases of Xindian, Nanjian, Weishan, Guangnan, and Funing are upgraded, 11 other bases should be built, including Eshan, Shizhong, Changning, Tengchong, Zhenxiong, and Zhaotong. They should orient themselves to Kunming and the neighboring areas and concentrate on the production of high-quality fresh beef, before gradually branching out into the processing business and developing specialty items for the domestic and overseas markets. By the year 2000, base counties should have 1,885,000 cattle on hand, up from the 1,626,000 in 1990, and slaughter 204,000 cattle, up from 63,000 in 1990. The annual beef output will also rise to 9,500 tons by the year 2000, up from 2,800 tons.

D. Mutton bases. Mutton from Yunnan goats is quite popular in Hong Kong, Taiwan, and various Southeast Asian nations. The pace of building mutton bases should be accelerated. By the year 2000, besides consolidating and improving the three bases of Shuangbai, Dayao, and Luquan, three other new bases—Chuxiong, Lengling, and Jingdong—should be built gradually so that bases in central Yunnan produce black mutton while bases in Longling produce yellow mutton. Improve quality, better processing, and increase exports. By the year 2000, the bases should have 1,174,000 sheep on hand and slaughter 195,000 animals annually, yielding 3.11 tons of mutton.

E. Dairy products base. Continue to build up the Eryuan cow milk base and Lunan milch goat base. Improve processing, packaging, and storage technologies. Work hard to increase the output of such specialty items as ruyan and milk biscuits, which are highly popular among consumers. Build Huaping and Jianchuan dairy bases. Open up a dairy products market in the industrial and mining areas centered on Pangang. By the year 2000, Eryuan and Huaping shall have a total of 36,000 milk cows on hand, producing 54,000 tons of milk and turning out enough cheese to meet the demand of the Kunming and Dali tourist areas. In addition, they shall gradually increase the output of a coherent series of dairy products and diligently cultivate the consumer markets in southwestern Yunnan and the neighboring countries. Between them Lunan and Jianchuan shall have 139,000 milk goats on hand, producing 3,800 tons of milk. Lunan County shall produce 550 tons of milk biscuits each year, its primary markets being Kunming and the Shilin tourist area.

F. Commercial poultry and egg bases. To make sure the needs of such key industrial and mining areas as Gejiu and Manwan are met, commercial poultry and egg bases will be built over time during the Eighth Five-Year Plan. By the year 2000 annual fresh egg output shall reach 838 tons and poultry, 1,435 tons.

G. Distribution of vegetable bases. There are four basic considerations behind the distribution of vegetable bases. First, consolidate and improve the old bases outside Kunming, Dongchuan, Dali, Chixiong, and Yuxi, creating specialized production bases of an appropriate scale which concentrate on upscale niche vegetables and other out-of-season vegetables. Second, in the short haul outer suburbs and mid-range suburbs should specialize in vegetables

with a mass demand. Third, places in the periphery of Kunming like Tonghai, Yuanjiang, Yuanmou, and Binchuan should set up a number of export-oriented vegetable production and processing bases, focusing on early winter vegetables. Fourth, build vegetable bases along the rivers, along railroads, and along the border, in other words, namely the main paths of growth in the province in the future.

a) Develop new specialized commercial vegetable production bases with a combined area of 70,000 mu at such points as Baoshan, Tengchong, Luxi, Lanping, Yunlong, Yun County, Jinggu, and Simao in the Lancang valley. The average yield per mu shall be 2,000 kilograms. Required investment: 28 million yuan.

b) Build new bases in Yuanjiang, Tonghai, and Dongchuan with a combined area of 5,000 mu to develop improved vegetable varieties. They shall supply 2,400 tons of improved vegetable varieties each year and 1 ton of hybrid seeds. Required investment: 6 million yuan.

c) It will require an investment of 6 million yuan to improve and consolidate 30,000 mu of newly opened vegetable growing areas near the central cities in central and eastern Yunnan along the Nanning-Kunming Railroad and Kunming-Hekou Railroad.

H. The distribution of fruit production bases. In the future fruit production bases should be clustered around the key regions—central cities, key development zones—and be built in stages.

Stage 1 (1993-1995): 1.5 million mu under fruit cultivation (including 600,000 mu under joint commodity production). Of the total output of 450,000 tons, commercial output accounts for 150,000 tons, or 12 kilograms per capita.

Stage 2 (1996-2000). Between 2 million and 2.2 million mu are under fruit cultivation (including 1 million mu under joint commodity production). Of the total output of 800,000 tons, commercial output makes up 400,000 tons, or 21 kilograms per capita, which would place Yunnan near the national average.

Build a million mu of high-quality high-yield orchards by the year 2000 through the distribution of different varieties in different stages and at different levels. Create a mango belt, the largest in the nation, based on Yuanjiang and Xiping in the upper and middle reaches of Hong He; a banana belt, based on Hekou, Hong He, and Yuanyang in the lower reaches of Hong He; an apple belt, based on Ningliang, Lijiang, and Zhaotong in northwestern and northeastern Yunnan; an orange and tangerine belt, based on Huaning, Jianshui, Luxi, and Shiping in Nanpanjiang; and a high-quality pear and peach belt, based on Kunming, Chuxiong, and Dali. This will put an end to the fragmentation that characterizes fruit growing in Yunnan and allows large quantities of marketable fruit to make their way from the valleys to the market. Right now the people of Yunnan, blessed as they are with ample natural resources, eat Shandong apples, Hebei pears, and sweet

oranges from Guangdong. The build-up of fruit production bases should change that situation fundamentally.

Special aquatic breeding bases. We should be realistic enough to see that as an inland province, Yunnan has limited potential in the aquatic industry. Its future here lies in intelligent distribution and in concentrating on the development of a number of high-value and sophisticated special, unique or rare aquatic products, thus offsetting its quantitative weakness with high-quality, well-priced, and unusual products and creating a new look in aquatic production. Bases for the production of soft-shelled turtle, lobster, river crab, California perch, rainbow trout, and bullfrog may be built in places like Kunming, Xishuangbanna, Hekou, Yuanyang, and Dehong. These bases should operate on a substantial scale and orient themselves to such markets as those in Kunming, key port cities, and other provinces.

3. Strategy for the Construction of Nonstaple Food Production Bases

1) Adopt new thinking. Right now vegetable production and sales are booming. We should take advantage of this momentum and, making the best use of the situation, promptly adjust our guiding principle by adopting unequivocally a new philosophy for the development of the vegetable industry. Raise the standing of vegetables in the urban and rural economies, particularly the latter. Remove vegetable growing from diversified operations and turn it into an independent industry in its own right on a par with grain growing, animal husbandry, and township and town enterprises. That will increase to four the number of major players in the rural economy in many counties and municipalities in the outskirts of cities: enterprises, grain, animal husbandry, and vegetables. Localities with the necessary wherewithal may go into the timber industry, fruit growing, and fish breeding, diversifying their economies in the course of time.

2) Strengthen the market mechanism. For one thing, we must organize the production and sales of vegetables, fruit, aquatic products, and other nonstaple food based on what the market wants, adhering firmly to the direction of upgrading. Guided by the new work philosophy, the departments concerned must provide peasants who grow vegetables and fruit with accurate information and comprehensive coordinated services in technological matters, transportation, and storage. This is essential to building a base-county. Secondly, an effort should be made to ensure success in superstructure construction by setting up a host of new high-standard large-scale special markets and wholesale markets. In the course of time there should be a nonstaple food market system that is intelligently distributed, well-equipped, easily accessible, and scientifically managed. We should work to make it more and more appealing and influential. Thirdly, we should go all out to open up the markets in other cities and then move into Southeast Asia, securing for ourselves a foothold in the international market.

3) Sources of funding for base construction. Nonstaple food base construction is characterized by the large

amount of investment required over a long period of time. Accordingly what is needed is a sound investment policy with diversified funding sources. Some of the inputs should come from the state, some from the producers, and some from the consumers as well. The enthusiasm of the state, localities, local peasants, and all social quarters for base construction should be fully tapped. Initially, money for base construction may come from these possible source: a) Appropriations by the local government; b) appropriations by the central treasury; c) bank loans; d) fund-raising by peasants; e) idle funds in all social quarters in the city; f) foreign funds. At the moment, the state and local governments are the main financiers of the construction of non-staple food bases. However, this uniform pattern of funding does nothing to accelerate the building of new bases. Of the funding sources mentioned above, the most ignored hitherto are e) and f). As the open policy is broadened, foreign capital has also become an important source of funds to build nonstaple food bases in key areas. In addition, expanding lateral economic cooperation between different sectors and regions in funding, technology, qualified personnel, and commodities that is mutually beneficial and that is complementary is also an effective way to solve problem relating to funds, technology, and qualified personnel that may occur in base development.

4) Adopt a business and management model that integrates agriculture with trade and industry. Traditionally the agricultural sector was solely concerned with production; no external environment and basic conditions for participating in processing and circulation existed. Even as they overhaul their thinking, therefore, base-counties must work extra hard to integrate agriculture with industry and trade and branch out into non-staple food processing and circulation. Leading bodies at all levels should encourage and support their subordinate units in operations linking production and marketing. The primary processing, multiple processing, and other forms of sophisticated processing of nonstaple food allied to the raw materials products of a base should be tackled energetically, as should the development of foreign-exchange-earning and export-oriented agriculture and processing. The leading departments should also guide the entry of these units into the circulation arena, add value to nonstaple food without interruption, and increase the incomes of peasants and herdsmen. For a province like Yunnan with its underdeveloped commodity economy these issues assume additional urgency and importance.

5) Step up the macro-regulation and control of bases. The construction of nonstaple food bases is critical to upgrading Yunnan's food industry and satisfying the market demand in the 1990's. After we have planned their distribution intelligently, conducted scientific verification, and incorporated them into national economic construction in stages, we should step up close leadership in earnest and strengthen macro regulation and control. First, project management should be adopted for every kind of non-staple food base. A project should be approved only after rigorous examination. Project management methods should also be worked out. Input and output should be

strictly linked. Inspection should be tightened and evaluation methods should be formulated. After a project is completed, it should be inspected before acceptance. Group contracting should be adopted for comprehensive development projects, bringing together the leaders, technical cadres, and the masses. Inputs like policies, technology, funds, and materials should be coordinated and services rendered in a coherent manner. Responsibility contracts should be signed at each level and scientific and technical contracting should be adopted, thus linking wages and bonuses to how well or how poorly a job is done, responsibilities to rights and profits. Scientific and technical contracting should be used to widen income differences; S&T personnel with outstanding contributions

should be heavily rewarded. Where a project is poorly executed or funds have been wasted, the leaders and other individuals involved should be held liable. [passage omitted]

Anhui Rural Saving Deposits

94CE0397Y Hefei ANHUI RIBAO in Chinese
30 Apr 94 p 2

[Summary] At the end of March, saving deposits in agricultural banks and credit cooperatives in Anhui Province exceeded 10 billion yuan, an increase of 1.55 billion yuan over the end of 1993.

Charities Stage 'Comeback' After Two Decades

OW1405071994 Beijing XINHUA in English
0650 GMT 14 May 94

[Text] Shanghai, May 14 (XINHUA)—Charities have staged a comeback in China after a lapse of two decades.

Recently, the official PEOPLE'S DAILY carried an article to say that charity is no longer a forbidden word, indicating an immediate development of charities in the country.

Shanghai, the country's biggest metropolis, established its charity foundation earlier this week, following the first non-governmental charity organization, which was set up in northeast China's Liaoning Province.

The focus of attention even in its preparatory period, the foundation received six million yuan in donations through various channels in a week prior to its founding.

Two brothers from east China's Anhui Province have contributed 3,700 yuan to the foundation, which they were awarded for responding courageously to save drowning people.

Charity campaigns have swung through the country since last year.

When a helping-the-orphans event was initiated in Hangzhou City in east China's Zhejiang Province, over 7,000 people swung into action, donating a million yuan and adopting more than 50 homeless children.

In the capital Beijing, hospitals sponsored a "love and health" activity, giving free treatment and operations to 24 orphans.

This year, Shanghai has launched several projects to extend a warm hand to the disabled, residents in poverty and homeless children. Now, there are about 32,000 such people under social care.

Many people consider charities to be noble endeavors which mark civilized society, especially in China, a country with the largest population of 1.2 billion and one of the fastest growing economies in the world.

Party Publications Lose Money, Public Confidence

94CM0254A Hong Kong CHENG MING
[CONTENDING] in Chinese No 3, 1 Mar 94 p 22-23

[Article by Wang Zhi (3769 5365): "CPC Newspapers, Journals Lose More Than 100 Million Yuan"]

[Text] At the beginning of each year, the CPC department concerned would, as a rule, review the work on party newspapers and journals. This year is no exception. As early as 17 January, the Propaganda Department of the CPC Central Committee [CPCCC] issued a circular to all units around the country, under the title "Suggestions on Recommending Newspapers and Journals for Study by Party Organizations." The fact that the party media have to be "recommended" to party organizations by the CPCCC Propaganda Department shows that the party's

mouthpiece cannot get a foothold on the market and must be supported by an administrative order.

Declining Circulations of Party Newspapers and Journals

As revealed by the Information Office of the State Council, the circulations of party newspapers and journals have plummeted since last year when the State Council stipulated that personal subscriptions to such papers and journals be paid at personal expense. In general, the circulations of party and government journals at the central and local levels have fallen by 15 percent—in some cases, the drop has exceeded 50 percent. Statistic figures show that the annual loss suffered by newspapers and journals published by central and local government and party departments has totaled some 135 million yuan.

The Chinese Communists once elatedly boasted that RENMIN RIBAO was the paper with the largest circulation in the world. In fact, the paper is financially supported by the state coffer. Organs like RENMIN RIBAO are synonymous with "public newspapers." Without doubt, the "subscription at personal expense" stipulation, which went into effect last year, has served as the best public opinion poll [about people's confidence in the party media]. The over 135 million yuan loss is by no means a small amount; it is sufficient to send the press magnate of any country into bankruptcy. To the CPC, which maintains a one-party rule in China, however, the concern is not the huge loss of money, but the loss of public confidence in the party media as indicated by the sharp drop in their circulations. Such being the case, it is no matter of surprise that the CPCCC Propaganda Department has come out to act as a "recommender" for the party media.

The CPCCC Propaganda Department's circular requests that party organizations at all levels take it as the party's principal propaganda work to promote the study and reading of newspapers and journals so as to understand and get a grip on important domestic affairs and gain knowledge about major international events. According to the circular, party organizations should give periodical written tests to cadres with party membership to check their knowledge about major domestic and international events and use the test results as one of the criteria for their promotion or job assignment. Every member of the party organization, the circular urges, must subscribe to a party newspaper or journal. In remote areas, every village party organization and county propaganda department is responsible for subscribing a party newspaper and making arrangements for party members to study it on a regular basis.

While the CPCCC Propaganda Department has issued numerous orders in the past to urge party organizations at all levels to give attention to political study, never before has it required that cadres with party membership take a "written test" on the contents of party newspapers and that the test results be used as one of the criteria for "promotion." There is, indeed, some reason for doing this, but it cannot be said openly.

Real Situation of Circulations and Expenditures of the 'Two Newspapers and One Journal'

Besides the CPCCC Propaganda Department's circular, the Information Office of the State Council also issued on 24 January a circular entitled "On Seriously Promoting the Work of All Media-Distribution and Publication Departments." The Information Office is quite clear about the concrete statistics on the distribution and publication of the party media. In addition to the above-mentioned annual loss of some 135 million yuan, there are many more figures, which are considered as "state secrets." Following are the real situation of circulations and expenditures of the "two newspapers and one journal" at the central level:

RENMIN RIBAO (Domestic Edition): The daily circulation in 1992 was about 2.3 million. In 1993, the circulation was only 1.65 million, down by 28 percent, and the excess expenditure amounted to some 8.3 million yuan.

GUANGMING RIBAO: The daily circulation in 1992 was about 1.5 million. In 1993, this dropped to 850,000, down by 43 percent, and the excess expenditure was some 3.1 million yuan.

QIUSHI magazine: In 1992, each issue had a circulation of about 1.5 million. In 1993, the figure dropped to 1.1 million, down by 27 percent, and the excess expenditure was more than 860,000 yuan.

In comparison, the mainland's evening papers have a rather stable circulation because their contents are richer and more "liberal." A survey shows that the daily circulations of government and party newspapers and journals in the nation's 30 provinces, municipalities, and autonomous regions have dropped 15 percent—in some cases more than 50 percent—with the exception of nine newspapers and journals including XINMIN WANBAO in Shanghai, YANGCHENG WANBAO in Guangdong, BEIJING WANBAO in Beijing, and CHENGDU WANBAO in Sichuan. More than 50 party organs at the provincial level have excess expenditures. On the average, the excess expenditure is as high as more than 60 percent.

Circulation of CANKAO XIAOXI Plummets

What is worth mentioning is that CANKAO XIAOXI, the largest circulation publication in the country, was once widely received by readers as the only "other information source" under the CPC's information-blockade policy.

During the past decade, however, its circulation has nosedived, from 25 million in 1982 to 16 million in 1988 and then to 8 million in 1993. The fall was 68 percent compared with the peak attained 11 years ago.

The declined circulation has worsened the problem of excess expenditures. For example, the three news agencies XINHUA, ZHONGXIN, and ZHONGTONG have an average excess expenditure of more than 60 million yuan [figure as published]. This does not include the special funds that the State Council has allocated to them for the purchase of supplies and communications equipment and for various large-scale activities. Specific figures follow:

Three Official News Agencies Have Excess Expenditure of 60 Million Yuan [as published]

In 1993, the official XINHUA News Agency had an expenditure of 87 million yuan, showing an excess of some 13 million yuan.

In 1993, ZHONGGUO XINWEN had an expenditure of 42 million yuan, showing an excess of some 8.6 million yuan.

In 1993, ZHONGGUO TONGXUN had an expenditure of 60 million yuan, showing an excess of some 9.7 million yuan.

Of the three news agencies, ZHONGXIN had the smallest excess expenditure. In addition to the above, there is a "record-breaking" figure: The Xinhua Bookstore's total sales of political and theoretical books throughout the country was 305,000 books in 1993 (excluding *My Father—Deng Xiaoping* and *Selected Works of Deng Xiaoping*, Volume III), hitting a record low since the founding of the People's Republic. More than 1.8 million books on politics were sold in 1950. The highest record was registered in 1967, when 3.25 billion political and theoretical books were sold.

A low circulation—a high expenditure; a decline in circulation—a still higher expenditure. It seems that the CPC mouthpiece can hardly get out of this difficulty at the moment. Even the measure of linking party newspapers to promotions and pay raises will not produce any result. This is a disastrous effect of separating economic reform from political reform. Just think: When people are enjoying every day the material life created by capitalism, how could they believe the party's stereotyped propaganda that "only socialism can save China"?

EAST REGION

Work Report of Jiangxi Provincial Higher People's Court

94CM0259A Nanchang JIANGXI RIBAO in Chinese
7 Mar 94 p 3

["Work Report of Jiangxi Provincial Higher People's Court Delivered by Li Xiuyuan (2621 0208 3293) at the Second Session of the Eighth Jiangxi Provincial People's Congress on 27 February 1994"]

[Excerpts] [passage omitted] I. Deal Severe Blows at Serious Criminal and Economic Cases, Safeguard Social Stability and Wage Struggles against Corruption

Social stability is the necessary pre-requisite and guarantee to promoting the reform and opening-up program and developing economic construction. To punish criminals according to law, safeguard social stability and create a fine social environment for developing the reform and opening-up program and economic construction is the major responsibility of the people's court. The courts at all levels in the province had continued to implement the principle of "dealing heavy blows at criminal offenses" and persistently and unflinchingly waged struggles to strike at heinous criminals. In 1993, Jiangxi had handled 9,426 criminal cases of the first instance and completed 9,304 of them. Among the 12,807 criminal offenders to whom judgments have already become effective, 33.8 percent of them were sentenced to more than five years of fixed imprisonment, life imprisonment or death (including death penalty with a suspension of execution); 65.5 percent of them were sentenced to less than five years of fixed-term imprisonment, criminal retention and public surveillance or given exemption from criminal sanctions; and 0.7 percent of them were found not guilty.

In their struggle against crimes which seriously endanger public security, the courts at all levels paid attention to the following work:

1. They concentrated their efforts on handling major cases. They promptly handled, from the beginning to the end, those criminal cases involving killing, robbery, kidnapping, rape and hooligan activities, particularly major crimes committed by criminal gangs. In all the criminal cases completed in 1993, 43.8 percent or 4,081 cases and 63 percent or 7,856 criminals were involved in the aforementioned offenses.

2. They continued to coordinate with relevant departments to vigorously wage struggles against larceny, train and highway robberies, abducting and selling children, forcing women into prostitution. Proceeding from reality, various localities dealt heavy blows to those crimes on the priority list, and attained remarkable results. In 1993, Jiangxi handled 652 cases involving larceny and prosecuted 1,048 suspects; 282 cases involving the "six evils" and prosecuted 414 offenders; and handled 303 cases involving train and highway robberies and prosecuted 831 offenders.

3. They strengthened their forces to strike at criminal activities, and persistently followed the principle of meting out severe and swift punishment to criminals who seriously endangered public security. About 94 percent of the cases wound up in 1993 were completed within the legally prescribed time limits. The number of heinous criminals sentenced to more than five years of fixed-term imprisonment or death penalty rose 8.4 percent in 1993.

To deal heavy blows at criminals is an important aspect of the struggle waged by the people's courts against criminal activities. Economic crimes seriously jeopardized the ties of the party and government with the masses, hindered the reform and opening up program and interfered with economic construction. The courts at all levels in the province had continued to regard the struggle to strike at criminal crimes as something of great significance in combating corruption, in keeping a honest and clean government and in promoting economic development. They firmly adhered to the principle of severely punishing serious economic offenders in accordance with law. In 1993, people's courts in Jiangxi had accepted 990 economic cases of the first instance publicly prosecuted by the procuratorial organs, and completed 944 of them. Except those cases for which appeals were being lodged and those which were sent back to procuratorial organs for reinvestigation or withdrawal, actions taken against 1,865 offenders had already become legally effective, of whom 765 were sentenced to more than five years of fixed-term imprisonment, life imprisonment and death, 1,100 of them were sentenced to less than five years of fixed-term imprisonment, criminal retention and public surveillance, 114 were exempted from criminal sanctions and 23 of them were found not guilty. Among the criminals convicted, 197 committed offenses involving more than 10,000 yuan each and 56 committed crimes involving over 100,000 yuan each. A total of 5.91 million yuan of economic losses were recovered for the state.

In order to further intensify the struggle against corruption, the people's courts in the province had persistently struck at corrupt state functionaries who accepted bribery and engaged in embezzlement. They resolutely meted out punishment on this type of offenses as soon as the cases were accepted by the court and the suspects were proved guilty. In 1993, Jiangxi completed 149 cases of the first instance involving corruption, bribery and embezzlement, accounting for 16 percent of all the criminal cases. Two hundred fifteen offenders were convicted including eight county and department-level cadres. At the same time, actions were taken to severely deal with smugglers, swindlers and tax dodgers and those who faked trademarks; sold and manufactured fake and shoddy merchandise; and seriously undermined the economic order. In 1993, Jiangxi had concluded 109 trials of the aforementioned category, and convicted 184 offenders whose sentences had already become legally effective. In dealing with offenses of this category, other punishments such as imposing fines, confiscating properties and others were also meted out along with other severe punishments so as to prevent the criminals from reaping economic benefits.

After the arrangements were made by the second plenary session of the CPC Central Discipline Inspection Commission for the anti-corruption struggle in August 1993, the courts at various levels in the province had exerted even greater efforts in striking at economic crimes. They strengthened their efforts to handle the major cases exposed in the anti-corruption struggle and completed the trials in a timely manner, once the procuratorial organs started the prosecution procedure. They paid full attention to facts and the evidence and handled all cases in accordance with law. They closely followed the principle of "being firm, prudent and accurate," and ensured that all cases were handled properly and carefully. From September to December 1993, Jiangxi had accepted and concluded 517 economic cases, up 90 cases over the same period in 1992. There were 133 major cases involving corruption, bribery and embezzlement for which 11 criminals were sentenced to more than 10 years of fixed-term imprisonment; two of them to life imprisonment and another two to the death penalty with a suspension of execution. In addition, two of the criminals were sentenced to death, pending the approval of the Supreme People's Court. In order to meet the requirements set by the central authorities and the provincial CPC committee to attain achievements against corruption in different stages in the near future, the people's courts in various localities held sentence-pronouncing rallies during which verdicts were passed on a group of major criminal offenders involving corruption, bribery and embezzlement. At the end of 1993, the provincial people's court had taken a unified action to pronounce sentences on a number of major cases which attracted widespread attention of the general public. It made a province-wide group announcement in public and even held a news briefing in this connection. It created a great impact and good social effects on the society.

II. Regulate Economic Relations in Accordance With Law, Actively Serve Macro-Control and Develop Market Economy

In the course of promoting the national economy with a high speed last year, there emerged some contradictions and problems in China's economic life. Some of them were quite outstanding. The party CPC Committee made a timely policy decision to strengthen and improve the macro-economic control. In order to ensure the smooth implementation of the major policy decision made by the central authorities and maintain the normal economic order, the people's courts at various levels throughout the province adopted effective measures to vigorously strengthen their efforts in trying cases involving economic crimes. In 1993, they handled a total of 38,285 economic cases of the first instance with a total amount of 966 million yuan involved, up 35.7 percent and 129 percent respectively over 1992.

We had paid particular attention to handling the following types of cases.

1) We actively handled cases involving state-owned enterprises which were changing the way they operated; protected, in accordance with law, the legal interests of the enterprises and the managing companies by trying cases

which involved contracting, leasing, joint operation, merging, shareholding and bankruptcy procedures for various enterprises. We had helped enterprises change the way they operated and establish a modern enterprise system; and provided them with the legal protection to become market-oriented. In 1993, Jiangxi had handled a total of 1,204 cases of the aforementioned nature, accounting for 3.2 percent of the total number of cases handled.

2) We concentrated our efforts in handling cases involving marketing, money-borrowing, financing, investment in shareholding form, patent, trademark and disputes over technological contracts; and helped improve the markets for merchandise, funds and technologies. In 1993, Jiangxi had handled 26,086 cases of this category, accounting for 68 percent of the total number of cases handled. Many of the cases were of a new variety. With the rapid development of the reform program in China and the legislature lagging hind, the courts in various localities extensively conducted investigation and studies, continuously summed up their experiences, and followed the basic principle that they applied laws whenever there were laws in this connection. They applied the policy whenever there are no laws or regulations in this connection. They acted in accordance with the basic principle of the law when both the law and the policy in this connection were not so clear. We persistently handled cases in accordance with the principle of the "three conducive's."

3) We properly handled cases concerning the development of rural economy. In 1993, Jiangxi had handled 2,161 cases involving disputes over the rural contract system, up 3.4 percent over 1992. At the same time, we had also handled a large number of economic disputes among rural enterprises. By means of various adjudicative activities, we had safeguarded the household contract responsibility system, helped rural enterprises improve their management and invigorated the rural economy in an overall manner.

In order to keep pace with the new situation in economic development and satisfy the growing needs for the judicial sector to serve the market economy, the people's courts at various levels had improved their services and their work, and provided legal consultations for the development of economic construction. They adopted the following measures:

1. They carried out specialized judicial work in coordination with the macro-control. They took the initiative to help the financial sector collect its loans in accordance with law, support the tax authorities to levy taxes and assist the land office and the transportation department to collect necessary fees. They also helped the various enterprises clear up their debts, assisted people settle their economic disputes, and helped maintain the normal economic order.

2. They simplified the litigation procedure and raise their efficiency in handling cases. They vigorously carried out their mediation work, provided supervision and ensured that all legal procedures were properly followed. They made efforts to reduce some unnecessary steps in lawsuit.

In 1993, 69.1 percent of the cases involving economic disputes were concluded through mediation. The various basic-level people's courts handled 12,011 cases involving simple economic disputes.

3. They took the initiative to provide legal services in various enterprises and economic departments at the latter's doorsteps. They sometimes set up liaison offices or send out tribunals to help enterprises and the departments concerned clear up their debts, settle economic disputes, become more competitive on the market, train people to handle legal affairs, run business in accordance with law. Their measures taken were warmly praised by the enterprises and the departments concerned.

III. Correctly and Properly Handle Civil and Administrative Cases; and Protect legal Rights and Interests of citizens, Legal Persons and Other Organizations in Accordance With Law

To protect the legal rights and interests of citizens and legal persons from encroachment is an important aspect of socialist democracy and the legal system. To correctly and timely handle civil and administrative cases is of great significance in maintaining social stability, promoting production and developing spiritual civilization.

Civil rights are basic rights of the citizens and legal persons. With more changes taking place in society and people's mind and with the rapid development of the market economy, contacts among the people have become closer, and there are more civil cases for the people's courts to handle. Particularly with the continuous development of the legal relations in civil affairs, the number of cases involving properties and individual rights and interests is on the increase every year. The work in handling civil cases has become more closely related with economic construction, especially with the development of the market economy. In 1993, Jiangxi had concluded 66,521 civil cases of the first instance, up 32.1 percent over 1992. It had placed emphasis on handling civil cases of the following categories:

1) It handled many civil cases involving marriage and family problems. For many years in the past, the number of divorce cases ranked top among all the civil cases handled. In 1993, Jiangxi had concluded 23,252 cases of this category. With the changes of the people's concept on marriage, family and property, not only the number of divorce cases is increasing, there are more problems in dividing properties, child-care and housing allotment. The people's courts properly handled divorce cases in strict accordance with the Marriage Law, and helped strengthen the socialist system about marriage and family.

2) It energetically handled trials concerning liabilities, real estate and labor disputes. With the vigorous development of the reform and opening-up program and the booming economic activities within the nongovernment sector, there were increasing number of disputes concerning debts, real estate and labor. In 1993, Jiangxi had concluded 13,172 cases concerning debts, 894 cases on houses and 465 cases involving labor disputes. By handling trials of

these categories, the people's courts had made the money, real estate and labor markets flourish.

3) It had properly handled civil cases involving disputes on land, forest, water conservancy, ownership of or the rights to use plots for housing projects. In 1993, Jiangxi concluded 330 cases of this category. Most of these cases were in the rural areas. They directly affected production and livelihood of the masses, and at times, problems became quite serious. By properly handling such cases, the people's courts had timely solved the problems, eliminated the factors of instability, helped maintain social stability in rural areas and promoted agricultural production.

The trial of administrative cases is an important step in developing the socialist democratic politics. Since the official enactment of the "Administrative Procedure Law of the People's Republic of China" on 1 October 1990, the work of administrative trials has entered a new stage in Jiangxi. The number of administrative lawsuits was on the increase every year, and the scope of litigation is continuously expanding. In 1993, Jiangxi had handled 805 administrative cases, up 21.9 percent over 1992. It had concluded 786 cases in which the ruling of the administrative organization was upheld in 33 percent of the cases, annulled in 20 percent of the cases, and changed in 2.2 percent of the cases. The plaintiffs withdrew suits in 35.8 percent of the cases. In addition, 1,744 cases were handled involving a total amount of 2.43 million yuan, whereas administrative organs had requested that judgements be forcibly executed.

In the course of handling administrative lawsuits, the people's courts not only protected, in accordance with law, the legal interests of the citizens and legal persons and other organizations, but also helped and supervised the administrative organs to exercise their functions and powers. They mainly paid attention to the following tasks:

1. They strengthened their efforts in handling cases involving enterprises' autonomy in management, preventing others from infringing upon the rights of the enterprises, safeguarding their market share and interests and helping them change the way they operate.

2. They strengthened their efforts in handling cases which involved land, industrial and commercial administration, taxation, finance, foreign exchange, commodity price and technological supervision and management, and in maintaining order for market competition. Meanwhile, they thwarted improper actions of the administrative organizations and other illegal administrative measures which undermined the economy, punished the enterprises without the proper authority, indiscriminately meting out punishments, recklessly set up roadblocks, collected excessive fees, and illegally increase peasants' burdens.

3. They strengthened their efforts in handling cases which involved public security, shelter and surveillance, re-education through labor and infringement of citizens' rights. They protected, in accordance with law, the interests of the citizens; eliminated the sense of antagonism between the administrative organizations and the public; and reduced the factors of social instability.

4. They strengthened their efforts in handling cases whereas the administrative organs had requested that judgments be executed by force, supported administrative organs in carrying out their work and help them maintain their administrative authority. Cases involving the execution of administrative orders often aroused major public interests, involved the overall situation of state administration, and directly affected economic construction and social stability. In handling cases of this category, the people's courts had persistently followed the principle of being vigorous, reliable and safe. They not only dared to help administrative organs implement their orders, but also carried out a great deal of publicity, re-education and persuasion work to help ease contradictions.

During the past year, Jiangxi had steadily and continuously extended their legal services in handling administrative lawsuits. However, the system of administrative lawsuits had not been established too long, the people's courts were still unfamiliar with lawsuits of this category, and some of the judicial cadres who handle such cases still showed sentiments of fearing difficulties. Therefore, to further study, popularize and implement the Law of Administrative Procedure remains an important task in the near future. The people's courts at various levels are earnestly summing up their experiences, overcoming difficulties, continuously improving the environment in enforcing this law and marching forward in handling administrative lawsuits.

IV. Rely on Judicial Work, Actively Improve All Facets of Public Security in Society

To improve all facets of public security in the society is a basic policy in maintaining a lasting order in our country. It also represents a basic principle of Chinese characteristics in doing our judicial work. In handling trials of all types over the past year, the people's courts at various levels throughout the country paid attention to performing their functions well in carrying out their judicial work, and energetically improved all the facets of public security in society. They mainly performed the following duties:

1) They persistently held open trials, gave widespread publicity to the socialist legal system and called on people to observe discipline and abide by laws. The courts in the province held a total 465 rallies to announce judgments with a total audience of 3.12 million people in the last year.

2) In the course of dealing with the lawsuits, they also made judicial suggestions. When they tried cases of various categories, they discovered that some departments and units had many loopholes and problems in their management system. In light of these loopholes and problems, they made judicial suggestions. In 1993, Jiangxi had made 3,576 judicial suggestions, a great majority of which were accepted by the units concerned. It had attained remarkable social effects.

3) They strengthened their work for juvenile courts. They meted out appropriate penalties on young criminals, while protecting the legal rights and interests of the juvenile

delinquents. Meanwhile some juvenile courts also sponsored study classes and parents' schools to educate juvenile delinquents by persuasion and prevent them from committing crimes again.

4) Proceeding from the desire to reform juvenile delinquents and prevent them from committing crimes once again, they often reduced their sentences, put them on probation or released them on parole in accordance with law. In 1993, Jiangxi reduced sentences in 6,490 cases, released 553 juvenile delinquents on parole and put 1,888 of them on probation, accounting for 15 percent of the total number of delinquents. A system was set up in many localities to visit juvenile delinquents on probation or parole after they were released. The juvenile courts also coordinated with the departments concerned and the basic-level organizations to help those on parole or probation to reform and educate themselves.

5) They carried out their mass work well inside and outside the courts, and correctly used legal means to solve various kinds of contradictions. The people's courts at various levels paid full attention to enhancing social stability; implemented the policy of correctly handling the contradictions among the people; and used this policy to guide their judicial work. The civil and administrative lawsuits involve many aspects and are closely related with the masses. Through these civil and administrative cases, the people's courts understood the situation in the community well, made preparations way ahead to help various departments concerned solve various contradictions and problems. In handling civil and administrative lawsuits, the people's courts in the province continued to uphold the principle of conducting mediation to solve disputes, always tried to reason things with both parties in dispute and helped them to accommodate each other and reach agreement on their own accord, to end their disputes and to avoid the accumulation of contradictions. [passage omitted]

Zhejiang Provincial Party Committee Work Report

94CE0410A Hangzhou ZHEJIANG RIBAO in Chinese
26 Dec 93 pp 1-3

[Report entitled "Work Vigorously On Reform, Accelerate Development: Struggle for Zhejiang's Early Achievement of the Second Step of the Strategic Goal—Report of the Ninth Session of the Zhejiang Provincial CPC Congress Delivered by Li Zemin (2621 3419 3046) on 19 December 1993"]

[Text] Dear Comrades:

The Ninth Session of the Zhejiang Provincial Party Congress is convened under the spiritual guidance of the 14th National Party Congress and at the critical time of our accelerating the construction of the socialist market economic system. It is convened at a time when Zhejiang's reform and opening up and economic and social development are achieving important results. The main purpose of the congress is to make the theory of constructing a socialism with Chinese characteristics our guide, learn to

act in the spirit of the 14th National Party Congress and the Third Plenary Session of the 14th Party Central Committee, review and sum up our work since the province's Eighth Party Congress, determine the goals of struggle and the primary tasks henceforth in our socialist modernization, nominate and produce members for the Ninth Zhejiang Provincial CPC Committee and the Provincial Discipline Inspection Committee, and to mobilize and unify the province's CPC members and the masses to accelerate the reform and opening up and the modernization process and struggle for Zhejiang's achievement of the second step of our strategic goals ahead of schedule.

I hereby represent the Eighth Zhejiang Provincial CPC Committee in making the report before this congress.

I. Review and Summation of the Last Five Years' Work

Since the Eighth Provincial Party Committee, under the Party Central Committee's leadership, the province's party organizations at all levels and the people and masses have diligently implemented the party's basic line, insisted on making economic construction the core, upheld the four basic principles, and have upheld reform and opening up. In particular, encouraged by Comrade Deng Xiaoping's important speech during his southern tour and by the spirit of the 14th National Party Congress, we have seized the opportunity to accelerate development and have propelled Zhejiang's reform and construction onto a new phase. In the last five years, we have withstood the tests of political storm at home and the turmoils in the international scene; we have overcome the hardships brought by natural disasters, and we have implemented three years of rectifications and improvement. The province is politically stable, socially stable, and economically well-developed. The last five years have been five years during which the masses of cadres and people liberated their thinking, sought truth from facts, pursued reform and opening up, and made deliberate efforts to forge ahead. It has been five years of noticeable increase in economic strength, drastic changes in the appearance of town and country, continuous improvement in the living standards, and of comprehensive social and economic development. It has been five years of gradual strengthening of party construction, socialist spiritual civilization, and democratic legislation under the new conditions. It has been five years of seizing opportunities, of struggling in unity, and of continuous progress on the road to building a socialism with Chinese characteristics.

One, economic development entered a new phase as we gained comprehensive economic strength. It is estimated that Zhejiang's 1993 GDP will top 164.5 billion yuan (148.3 billion yuan based on 1990 prices), more than 76 percent higher than 1988's, and achieving the goal of quadrupling the GDP seven years ahead of schedule. The province's financial revenues is expected to be 15 billion yuan, more than 75 percent higher than 1988's. The gross value of industrial output (GVIO) is estimated to be 378 billion yuan, nearly three times 1988's. Technological progress clearly played a larger part in the economic

growth, accounting for approximately 35 percent. Enterprises made good progress in updating technological installations, improving production techniques, improving management and administration, and becoming better organized; we have achieved good overall economic efficiency. In the agricultural sector, while maintaining basic stability in grain production, the planting, forestry, livestock, and fishery industries also underwent all-out development. Agriculture using "one superior and two high" has taken its first steps. Township enterprises have become an important mainstay in Zhejiang's economic development, dominating two-thirds of the economy, and they played a very important role in subsidizing and developing agriculture, exporting to earn foreign exchange, promoting the shift in rural labor force, and in building up small cities and towns. The counties also gained economic strength. We now have many socially and economically well-developed counties and towns. Fixed asset investments in the last five years grew another 1.4 fold over the previous five-year period; key construction projects achieved outstanding results. A succession of power plants, highways, railways, ports, airports, and communications facilities and other mainstay projects have been completed. The province's power generating capacity has increased by 2.36 million kw; super highways have increased by more than 4,000 km; coastal port handling capacity has increased by 31.90 million tons. Program-controlled telephones were installed in the counties and cities, and city and rural telephone exchange capacity was increased by 1.14 million units. The province also worked on the Lake Tai and Wujia River diversion and other major water conservancy projects. The infrastructure has greatly improved, which has increased the momentum of economic development.

Two, reform broadened and deepened; the market has become an important means of allocating resources. With regard to rural reform, we continued to stabilize and perfect the responsibility system, which is made up primarily of family-based, output-related contracts, and the two-tier management system which integrates centralization and decentralization. We were among the first to decontrol grain prices and actively promote the shareholding cooperative system. The factors of production have never been more active. The rural economy has begun to change tracks to the market economy. We made implementing the "Provision" and the pilot shareholding system our focal point to accelerate the change in management mechanisms in the state-owned enterprises and town and country collective enterprises. We began with the restructuring of the property rights system and worked hard to explore ways to achieve the public-ownership system effective. Publicly-owned enterprises, especially the large and medium-sized mainstay enterprises, gained new vitality, ability to adapt to market changes, and ability to compete. We actively encouraged and supported the localities to suit measures to local conditions in developing individual and privately-owned economies and adjust to the rapid and healthy development of non-public-owned economies of different local characteristics. Reform practices that emphasized the market adopted by Wenzhou

and other localities have had good results and have produced a positive impact on the province's reform and economic development. The vast majority of commodities and labor services have been decontrolled; circulation has been enlivened. Markets for all types of commodities have grown rapidly; there are more than 4,000 fairly large commodity markets. The Yiwu Small Goods Market and Shaoxing Light Industrial and Textile Market and other specialized wholesale markets with vast national impact have sprung up. Fund, technology, talent, labor, and real estate markets have begun to emerge, and we have a fledgling market system made up of multi-level markets with different management styles and made up of diverse economic components. We made promoting the integration of science and technology and the economy and the nurturing of useful talents our goal as we continued to promote the restructuring of the science and technology and education systems. A complete set of reforms pertaining to the social security, labor employment, and housing systems made good progress. Efforts to change the government's functions and improve macro regulation and control had a good start.

Three, opening up to the outside world made breakthroughs; the externally oriented economy underwent rapid development. We took the opportunity of the readjustment of the international industrial structure and the development and opening up of Pudong and paid special attention to giving play to our human relations and location advantages, and despite the relatively flat domestic market, we made use of international and domestic markets to supplement each other to develop our externally oriented economy. It is estimated that over the last five years, the province has signed foreign capital utilization contracts worth a total of \$8.2 billion, 11.2 times more than the sum total of the previous 10 years since reform and opening up began. Actual foreign capital utilization came to \$2.2 billion, an increase of 3.4 folds. In 1993, the province's foreign export volume came to \$4.35 billion, 1.7 times more than 1988's. At the same time, we actively expanded the scope and territory of our opening up. The number of open cities and counties has increased to 37, and the number of state-class development zones has increased to six. The State Council has also approved the comprehensive opening up of the Ningbo tax-free zone and Daxie Island to the outside world. The number of province-level development zones has increased to 37, and many industrial satellite towns have sprung up. These have formed a preliminary pattern of opening up where development zones, open cities, open regions, and industrial satellite towns, foreign trade, foreign capital, and foreign economy are all emphasized.

Four, people's lives have clearly improved, and we are steadily becoming fairly well-off. The urban and rural population are earning higher income. It is estimated that in 1993 the average per-capita regular income for people in cities and towns was 3,400 yuan; rural per-capita income topped 1,590 yuan, and after factoring in the higher prices, they represented increases of 42.4 percent and 25.6 percent, respectively, compared to 1988. Living conditions further improved. In 1993, the per-capita living space for people in cities and towns was 11.8 sq m, 2.5 sq meter

more than in 1988. Sixty-eight percent of the people had full housing. The rural population's per-capita living space was 32 sq meters, 6 sq meters more than in 1988. The consumption mix of people living in both urban and rural areas clearly improved, further improving the quality of life.

Five, spiritual civilization and democratic legislative constructions made new progress, which brought comprehensive social progress. Scientific and technological undertakings underwent rapid development. Over the whole period, significant results were obtained in 1,570 scientific and technological projects. The scientific research units gained vitality, and the number of civilian-run scientific and technological institutions has greatly. The development of educational undertakings accelerated. Province-wide, 83 percent of the populated areas have implemented nine-year compulsory education. We had great success at eliminating illiteracy. The structure of secondary school education clearly improved. Vocational-technical education and adult education developed fairly rapidly; full-time enrollment in colleges and universities increased significantly, and the quality of education improved somewhat. Cultural undertakings flourished; literature and arts, radio and TV broadcast, news and publication, theory studies and so on produced some very fine results. We built a new radio and TV broadcast center, the Zhejiang Museum, the Hemudu Museum, and other major cultural facilities. Medical and public health conditions improved. Mass sports activities were held, and competitive sports reached higher standards. Our family planning program remained the most progress in the nation. Activities relating to spiritual civilization construction were broadly launched in the urban and rural areas. We advocated good social tendencies, and the masses were continuously introduced to new ideas and concepts. We have gradually freed ourselves from the bondage of "leftist" ideology and outdated concepts and have become more aware of the ideas of reform and opening up. Society's spiritual outlook has changed dramatically.

With respect to the construction of the democratic legislative system, we supported the People's Congress and its standing committee's carrying out their duties according to the law to strengthen the legislative process. Over the last five years, Zhejiang Province has promulgated and approved 58 local laws and provisions and issued 62 administrative regulations; we have stepped up law enforcement and supervision. We attached importance to united front work. The people's consultative conferences at all levels participated in government, discussed politics, exercised democratic supervision, and made many important proposals and suggestions on major issues pertaining to the construction of Zhejiang's two civilizations. We have strengthened the comprehensive administration of public security and engaged in in-depth struggles to "wipe out pornography," "eliminate the six evils," and enforce the "three crackdowns and one prohibition." We cracked down hard on serious penal and economic crimes, launched universal legal education, and enhanced the masses' legal concept, and we have maintained social stability.

Six, we adjusted to the new situation of reform and opening up, and party construction was strengthened and improved. We attached importance to the party's ideological and theoretical construction and broadly educated the masses of party members and cadres on the basic theories of Marxism, the party's basic line, and basic knowledge about the party. In particular, we arm the whole party with Comrade Deng Xiaoping's socialist theories with Chinese characteristics. On the important issue of reform and opening up, we clarified what was right and wrong, got rid of outdated ideas and concepts, and made the masses of party members and cadres more conscious and steadfast about going all-out to implement the party's basic line. We strengthened the formation of the contingent of cadres and trained and promoted many fine young and middle-aged cadres. We readjusted and amplified the leading groups at above county-level, improved the groups' structure, and diligently worked on establishing the leading groups' ideologies and working style and on cadre training. Through the process of "double promote, double test" and other formats, we openly chose party and government leading cadres. We implemented the cadre exchange and leave-of-absence and retirement systems and actively restructured the cadre system. We worked on the construction of grass-roots organizations in a focused and systematic way and rectified and changed the backward rural party branches and reinforced a whole array of village-level organizations that centered around the party branches. We improved the overall quality of the enterprise leading groups and gave play to the political core role of enterprise party organizations. We focused on the new situation and diligently summed up our experiences and formulated a program and made suggestions on grass-roots rural, enterprise, and office party organizations. We strengthened the education, training, and management of the masses of party members and recruited party members from the production, management, scientific research and education frontlines and gave play to the exemplary vanguard role of the CPC members in the construction of the two civilizations. We diligently worked on our party's working style and on building an honest government. The leading cadres took the lead in embracing honesty and self-discipline, and we prosecuted some cases of internal violation of party discipline and expelled some corrupt elements. We stopped the leading cadres and staff in party and government organs from such unhealthy practices as accepting gift certificates and money or using public funds to travel abroad or take trips. We are still in the process of sorting out the improper fee collections and rectifying the practices of party and government organs doing business and running enterprises and so on. In recent days, anti-corruption struggles have had tentative success in some areas.

Zhejiang owes its success over the last five years to the proper leadership of the Party Central Committee, the foundation laid down by the previous session of the provincial party committee, the provincial party organizations at all levels, the masses of CPC members, the democratic parties and factions, the general public, the troops stationed in Zhejiang, and people of all nationalities

in the province who struggled in unity. We also owe our success to the vigorous support of the fraternal provinces and municipalities, our Hong Kong-Macao-Taiwan compatriots, and the overseas Chinese as well as to the sincere cooperation of our friends from around the world. I hereby represent the Zhejiang Provincial Party Committee in expressing our heart-felt gratitude and paying our highest respect to comrades who have contributed to Zhejiang's reform and development and to our friends who have shown concern and support for Zhejiang's construction.

In reviewing and summing up our work over the last five years, the most fundamental point is that we must always resolutely uphold the basic theory of developing a socialism with Chinese characteristics and the party's basic line, liberate our thinking, seek truth from facts, and perform our work with creativity. In the last five years, reform and development have had many favorable opportunities but have also faced some complicated situations. The provincial party committee insisted on making economic construction the core and made deepening the reform, expanding the scope of opening up, and accelerating the pace of development the basic guiding ideology for its work, and in the actual course of work, it went through a process of summing up its experiences and continuously deepening and heightening its understanding. After the 1989 political storm and in the midst of the changing international situation, the provincial party committee followed the Central Party Committee's plans to reinforce the people's socialist conviction and educate them on the party's basic line, and we concentrated our energy on economic construction. During the period of rectification and improvement, while the provincial party committee carried out the Party Central Committee's macro policies and adopted measures to promote economic recovery and development, it also acquired a better understanding of the province's own situation and established an economic development guiding ideology that centered around improving the overall quality of the national economy to "lay foundation, set standards, and increase efficiency." After Comrade Deng Xiaoping's important southern tour speech and the 14th National Party Congress, we upheld the criteria of the "three beneficial," further liberated our thinking, and smashed the "leftist" and old ideological bondages, learned and borrowed from the advance experiences of our fraternal provinces and municipalities, stepped up the reform and opening up, seized opportunities, accelerated development, and proposed the goals of striving to form a tentative basic framework of the socialist market economic system by the end of the Eighth Five-year Plan period and basically create the new economic system's functioning mechanisms and operating modes by the end of the century. We established a pattern of opening up to the outside world whereby we "let the three cities take the lead, accentuate what is important, rely on the ports, develop along two lines, proceed in steps, and open up in all directions." We made the important decisions to reform the grain procurement and marketing system, decontrol grain prices, readjust the agricultural structure, develop "one superior and two high" in agriculture, and

guide agriculture and the peasants toward the market. We established the strategy of "using science and education to vitalize the province" and truly shift economic construction onto a new track where we rely on scientific and technological progress and improve labor quality. We focused on the new situation that have emerged from the rapid economic development and followed the Central Party Committee's instruction to promptly strengthen regulation and control and strived to maintain the economy's sustained, speedy, and healthy development. While it concentrated on economic construction, the Provincial Party Committee also complied with the general principle of "grasping with both hands" and attached increasing importance to party construction, spiritual civilization, and the democratic legislative system and formulated a preliminary line of thinking which, given the condition of developing a socialist market economy, consisted primarily of the construction of leading groups, grass-roots organizations, and socialist spiritual civilization and an honest government. We have formulated a socialist spiritual civilization construction program for the entire province. The practices and creations of the province's party organizations at all levels and the masses were the sources of these important decisions and measures. They suited Zhejiang's realistic conditions and have effectively promoted Zhejiang's reform and opening up and economic and social development.

When looking back at the past and looking forward to the future, we should soberly realize that there are still many problems and conflicts before us, and there will still be many mistakes and inadequacies in our work. Zhejiang is a coastal province, and based on the Central Party Committee's standards, we still fall short in ideologies and understanding, and our workstyle still does not measure up. We still lack boldness of vision and courage in our reform and opening up; we lack pioneering spirit. When we run into problems, we fail to reach consensus and are slow to reach unity in thinking. Decisions have been made on some matters, but we fail to carry them out firmly and decisively. We lack a clear understanding of the new situation and new problems that have merged amid the rapid economic development and the transition from the old to the new systems. In our practical work, the idea that agriculture is the nation's foundation is still not firmly established, and our ways and means of guiding agriculture and the peasants toward the market still need to be improved and made more thorough. We still have many problems in speeding up the development of science and technology and education; we must still work long and hard on it. On the issue of "grasping with both hands," we are still tough on the one hand and lenient on the other hand. In many ways, our party construction, spiritual civilization, and democratic legislative system are still incompatible with the new situation. In particular, we still face many problems with the party's workstyle, honesty in government, social tendencies, and public security and so on. Negative and corrupt phenomena are still rampant in some areas, and the masses are upset. We must pay close

attention to these issues and work hard to resolve them to guarantee the success of Zhejiang's reform and opening up and modernization.

II. Future Objectives of Struggle and Guiding Ideologies

The 14th National Party Congress has drawn up a strategic plan for the Changjiang Delta and other coastal regions. Zhejiang is situated on the south wing of the Changjiang Delta; it has a fairly sound economic base, and we are ready and determined to seize the opportunity to accelerate development. By the year 2010, Zhejiang's economic and social development's major indicators should reach that of a moderately well-developed nation today, and we strive to become one of the first provinces in China to achieve modernization.

The 1990's is a critical period in Zhejiang's modernization. By the year 2000, the main objectives of reform and construction are:

Quadruple the GDP. We want to improve quality, optimize the structure, increase efficiency, and increase the GDP at an average rate of more than 10 percent a year. Based on 1990 prices, the GDP should exceed 230 billion yuan, averaging more than 5.00 yuan per person, four times that of 1980's. We even hope to achieve that goal ahead of schedule.

Establish the basic socialist market economic operating mechanisms. We should tentatively set up a modern enterprise system, allocation system, social security system, and a macro management system that meet the needs of the market economy and basically complete the change in government functions and gradually establish a unified open market system so that the market can play a fundamental role in allocating resources.

Set up a fairly complete externally oriented economic system. The economy should become even more externally oriented. Foreign export volume should increase at a rate of 16 percent a year, topping \$10 billion and accounting for about 25 percent of the GDP. Foreign capital utilization should become one of the main sources of Zhejiang's construction funds. We should expand the bilateral flow of domestic and foreign funds, capital, and labor and gradually develop multinational operations. We should set up operating modes that link up with international regulations and practices and meet the needs of the externally oriented economy.

Modernize the economic and social structures. We should steadily increase agricultural output, clearly improve quality, and speed up the modernization process. The province's non-agricultural labor force should account for more than 55 percent of the total labor force; the service industries should account for around 35 percent of the GDP. Industries and services should gradually gather in the cities and towns; the rate of urbanization should reach more than 35 percent. The natural rate of population increase should be kept at below 8 per thousand.

Scientific, technological, and educational undertakings should be gradually developed to keep up with the economic and social development. By the end of the Eighth Five-Year

Plan period, Zhejiang's nine-year compulsory education basically should become universal and illiteracy among the young people and mature basically should be wiped out, and on those bases, cities and towns at above county-level basically should be able to provide senior high school education as needed and provide a larger proportion of junior and senior high school graduates with vocational-technical training if they do not want to further their formal education. We should increase full-time enrollment by 10,000 people in the regular colleges and in adult colleges. We should improve the quality of the workers and promote scientific and technological progress. For every 10,000 people, we need 115 scientists and technicians. Technological progress should account for 40-50 percent of economic growth.

Raise the level of spiritual civilization in the urban and rural areas. To meet the needs of developing the socialist market economy and promoting comprehensive social progress, we must strive to improve the people's ideological and moral quality and scientific and cultural quality and nurture idealistic, moralistic, cultured, and disciplined socialist citizens. We want a relatively sound democratic legislative system, a stable and unified society, good moral habits, flourishing cultural undertakings, and a nice and clean environment.

Help the people to become relatively well-off fairly soon. While most localities in the province are striving to become relatively well-off by the end of the Eighth Five-Year Plan period, we should further raised their material living standard and amplify their spiritual lives. The poor regions should become relatively well-off by the end of the Ninth Five-Year Plan period. The per-capita regular cost-of-living income of people in the cities and towns and the per capita income of people in the rural areas should double that of 1990's based on constant prices.

In the 1990's, as we move toward modernization, we will face profound changes in the international and domestic situations. In particular, because of our objective to set up a socialist market economic system and go all out to implement reform, we will face rare historical opportunities as well as grim challenges. We must seize the opportunities and face the challenges head-on. We have many favorable conditions but also many impediments. After more than a decade of reform and construction, Zhejiang has acquired strong material and technological bases; our agricultural development has reached fairly high standards; our industries, especially township industries, are fairly large in scale, and our production conditions have improved. We will have much potential for accelerating our development in the future. Zhejiang's commodities markets developed fairly early; our enterprise management mechanisms are flexible, and we have developed several types of economies at the same time. We have strong internal vitality for economic development, which makes it easier for us to change over to the new economic system. Zhejiang's superior location, ports, and human resources are playing an increasingly important role in opening up to the outside world, which will facilitate our making even better use of the international and domestic resources and

markets to accelerate development. In particular, what is rare and precious is that the masses of party members, cadres, and people have displayed tremendous enthusiasm and pioneering and creative spirit during reform and opening up, and they have become a mighty force behind the socialist modernization construction. At the same time, we should also see that Zhejiang's economic operating mechanisms are not smooth; its infrastructure has serious "bottlenecks"; its factors of production are not put to full use. As the main force behind the province's economic growth, overall, the processing industry's products are still low in technical content; enterprises' technological installation standards and organization are poor. Our products lack competitiveness; we are still using extensive management and quantitative expansion to bring growth. We lack people with scientific and technical skills or international trade and business and economic management training and experience. Our ideologies and concepts, ways of thinking, work methods, and management system are incompatible with the development of the market economy. These problems will increasingly impede the formation of the unified open market at home and hinder our efforts to link tracks with the international markets. We must thoroughly analyze the situation and correctly understand the situation before us, rouse our spirits, fill ourselves with confidence, and increase our own sense of urgency of the times and sense of historic responsibility.

In order to achieve Zhejiang's grand reform and development objectives, we must follow the theory of constructing a socialism with Chinese characteristics, staunchly uphold the party's basic lines for a hundred years, start out from Zhejiang's own reality, review our work experience over the last five years, and put the "five insists" in our work guiding ideologies:

One, insist on making economic construction the core and always make developing the productive forces our basic duty. Insisting on development is sound reasoning. Ultimately, what is going to solve our problems is economic development. We must seize the opportunity, accelerate development, and reach a higher plane once every few years. We must improve the national economy's overall quality, "lay foundation, set standards, and improve efficiency"; we must reinforce the three foundations—agriculture, infrastructure, and science and technologies and education—vigorously raise the technological and management standards, and focus on the development of industries and products that have high technical content, earn foreign exchange, have high added-value, have large market capacity, are low in energy and raw material consumptions, and have no adverse environmental impact. We must combine speed and efficiency and embark on the road of thorough reform, optimal structure, intensive management, and externally-oriented development. We must accentuate the essential, unify planning with due consideration for all concerned, do our utmost, gauge our own capacity, guide action according to circumstances, develop our strong points and avoid our shortcomings, struggle arduously, unite and move forward to

achieve sustained, speedy, and healthy economic development, and bring more real benefits to the people.

Two, insist on using reform to achieve development and always make reform the main driving force behind economic and social development. The key to accelerated development is thorough reform. Only by seizing reform opportunities can we seize development opportunities. As economic growth accelerates and economic relations become more complicated, we must boldly explore and blaze new trails and firmly and resolutely pursue in-depth reform. We should meet the needs of developing a socialist market economic system and make reform more forceful, uphold the guiding principle of making the public-ownership system be the primary system while allowing other economic components to develop at the same time. We should wrap around the five key links—a modern enterprise system, a unified market system, a perfect macro regulation and control system that emphasizes indirect measures, an income allocation system that primarily allocates income according to labor and gives priority to efficiency but also takes fairness into consideration, and a multi-level social security system. We should actively and steadily deal with the relationship among reform and development and social stability, achieve major breakthroughs, coordinate the entire process, proceed in gradual steps, and go all out with reform while maintaining social stability.

Three, insist on opening up in all directions and always make pushing outward the primary means of accelerating development. We should actively take part in international division of labor and exchange and make full use of the international and domestic markets and resources to promote economic development. We should further broaden the scope and widen the domain of opening up to the outside world, export higher grade goods, raise the standard of foreign capital utilization, and escalate our international economic and technological cooperation and exchange. We should link tracks with the international markets with respect to enterprise mechanisms, market standards, and management systems to increase our ability to compete internationally.

Four, insist on "grasping with both hands" and "firm with both hands," and always make giving play to our political superiority the fundamental guarantee of our economic and social development. To realize the grand objective of socialist modernization, we must insist on the party's leadership, strengthen party ideology, organization, and workstyle. We must adhere to the purpose of serving the people with our hearts and minds, carry forward and amplify the party's fine traditions and workstyle, and strive to raise our leadership standard in modernization. Our spiritual civilization construction must obey and serve the central purpose of economic construction and provide the strong spiritual drive, intellectual support, ideological guarantee, and good public opinion environment for developing the socialist market economic system and modernization construction. We must abide by the guiding principle of emphasizing construction, make doing our best a basic principle, insist on mediation and guidance, enhance unity, and focus on mobilizing enthusiasm. We

must emphasize education and the legal system, improve personal quality, discipline social conduct, improve social tendencies, and preserve social and political stability. We must actively explore new ways to strengthen party construction, socialist spiritual civilization, and democratic legislation under the conditions of the market economy.

Five, insist on liberating ideas and seeking truth from facts, and always make the "three beneficial" the criterion for disguising right from wrong. With respect to "one core and two basic points," we must guard against the right, but mainly we must stop the "left." We must continue to smash the "leftist" ideological bondages, insist that the basic principle of reform and opening up cannot be changed, and that there will be on endless debates. We must boldly explore and dare to experiment. We must consciously ask ourselves, "Do the people support this or not?" "Do the people agree with this or not?" "Are the people happy about this or not?" "Are the people satisfied or not?" These questions are the starting point and the final destination in everything we think, do, and decide. We must insist on material dialectics and avoid partial views. We must have a scientific attitude, respect objective laws, start out from reality, and be creative in our work. We must respect the masses' pioneering spirit and guide, protect, and give play to the masses' enthusiasm.

III. The Primary Tasks of Reform and Development for the Next Five Years

The next five years will be five years that determine whether Zhejiang will achieve its 1990's objectives. It will be the critical five years for developing the basic socialist market economic operating mechanisms and will also be five years for laying the foundation for achieving modernization in the beginning of the next century. In these five years, we must work hard to accomplish the following eight major tasks:

One, move forward with reform and accelerate the track-changing to the socialist market economic system.

"The CPC Central Party Committee's Decision on Several Issues Pertaining to the Establishment of the Socialist Market Economic System" is the program for action to accelerate reform and development. We should heed the Central Party Committee's demands, start out from Zhejiang's own conditions, formulate and carry out specific programs and measures of implementation, accentuate the reform focuses, pay attention to linking them with the current reform measures, and lose not time in pushing forward with reform.

We must make enterprise reform more thorough and concentrate efforts on creating a new enterprise system. We should make smoothing out property rights relations and changing management mechanisms the core in accelerating the development of a modern enterprise system that clearly delineates property rights, specifies rights and responsibilities, separates government and enterprises, and utilizes scientific management. We should actively explore proper modes and effective ways of managing and administering publicly-owned assets, especially state-owned assets. Setting up a modern enterprise system is an

arduous and complicated task. We must create the conditions and proceed in gradual steps. Today, we must continue to implement the "Industrial Enterprise Law Under the Ownership by the Whole People System" and "Regulations on Changing Operating Mechanisms in Industrial Enterprises in the Ownership by the Whole People System," hand over a hundred percent of enterprises' rights and responsibilities, and accelerate the pace of changing the state-owned enterprises' management mechanisms and adjusting their organizational structure to further enliven the large and medium-sized mainstay enterprises. We must strengthen the supervision and management of state-owned enterprises' properties, guide the flow of the existing stock and the direction of input of the incremental assets and guarantee the preservation and appreciation of property value and quality improvement. Qualified state-owned enterprises should gradually implement the company system. Most small state-owned enterprises can turn to contract management or lease management or reorganize under the shareholding cooperative system, or they can be sold to collectives or individuals. Starting out from the fact that Zhejiang has a fairly large proportion of collective enterprises, we should pay attention to sorting out the property rights relations between township enterprises and the cities' and towns' collective enterprises. The emphasis should be on vigorously promoting the shareholding cooperative system. Through property circulation and reorganization, we should develop economic units of mixed ownership systems and create a new ownership structure. We can develop some large trans-regional, trans-industrial enterprise groups which are primarily publicly owned but are linked by the ties in property rights. We should make use of such formats as limited liability companies, shareholding corporations, wholly state-owned enterprises, cooperative management enterprises, and shareholding cooperative companies to gradually standardize enterprise organization.

We must uphold the guiding principle that the public-ownership system is the primary system but economies of different components may coexist and develop at the same time. The role of the public-ownership system in the national economy may vary depending on locality and industry. While developing and strengthening the publicly-owned economy, we should continue to vigorously develop foreign-funded economy and actively encourage the development of individual and private economies. We should let families and individuals take over industries and products suitable for family-based production and operation. In economically underdeveloped regions, we must support the development of individual and private economies even more, so that they can be important growth points in the local economies. We must perfect the pertinent policies and rules and regulations and strengthen the guidance and management of individual, private, and foreign-funded economies to ensure their healthy development.

By putting the emphasis on developing producer goods markets, we can speed up the fostering and development of the market system and promote modernized circulation, we should further develop the commodity markets, and

taking the needs of commodity circulation into consideration, we should build a fully-equipped commodity market network that integrates large, medium-sized, and small markets and accommodates all economic formats and operating modes. We should actively foster financial, technology, information, labor, skilled personnel, and real estate markets; we should develop and amplify securities exchange institutions, gradually groom capital markets, and create the conditions to set up futures markets that are linked to the international markets. We should further smooth out price relations and set up mechanisms that mainly let the market set prices. We should standardize market behavior and smash regional and departmental separatism and blockades, oppose unfair competition, develop market intermediaries, create an environment of fair competition, and form a large unified, open, competitive, and orderly market.

We must uphold the system which primarily allocates income according to work while accommodating other forms of allocation and gives expression to the principle of efficiency first but also takes fairness into consideration. We should actively promote reform of the allocation system, bring in the competitive mechanisms, and smash egalitarianism and allow reasonable wage differences. We should continue to encourage some regions and some peoples to get rich first through honest hard work and legal operations. We encourage those who got rich first to help the not-yet-rich, so that eventually everybody is well-off. Through our allocation policy and tax regulation, we can avoid letting a handful of people earn exorbitant income, which will cause extreme polarization. We must give play to all positive factors and amplify the retirement, unemployment, and the medical insurance systems and gradually set up mechanisms that create a benign cycle to gather, utilize, and add value to the social security fund and develop a multi-level urban and rural social security system.

We should follow the principle of separation of government and enterprises and streamlining, unification, and efficiency when promoting the restructuring of party and government organs and changing the government's functions. We should reduce the number of specialized economic management organs and the overly-small departments; reduce staff size; and improve their overall coordination, law enforcement and supervision, and social management functions. We should follow the Central Party Committee's unified plan to carefully formulate a program to implement the restructuring of the party and government organs and carry it out actively and steadily in steps. Next year, we should basically complete the restructuring of organs at the province-level and in 11 cities and prefectures and basically reform the county-level organs in the following year. We should accelerate the restructuring of the personnel system and gradually set up a scientific, categorized management system and effective incentive mechanisms in the organs and enterprises and institutions in accordance with their different characteristics. Reforms in these areas must be coordinated with the reforms in the organs and the wage system, and we should install the public employee system as soon as possible.

We must have a firm grasp on the restructuring of the taxation, financial, investment, and planning systems and others key area. We must seize the reform opportunity and actively find ways and means to carry out reforms. We should set up mechanisms that coordinate but also act as constraints in economic planning and monetary and financial matters. We should increase auditing and economic supervision and change the ways and means we provide leadership in economic matters. By drawing up central plans and putting a handle on the policies, through guidance and information and organization and coordination, and by providing services and inspection and supervision, the government's direct economic management can be changed to indirect management. While obeying the Central Party Committee's macro regulation and control, we should improve and strengthen our economic regulation and control.

Two, open up to the outside world in all directions and make the economy even more externally oriented.

On the basis of Zhejiang's pattern of opening up, we should take advantage of the timing of the development and opening up of Shanghai's Pudong, seize the initiative, participate actively, and while we focus on Ningbo, Wenzhou, the coastal open cities, the Hangzhou international tourist city, and the open regions, we should further expand the scope and territory of our opening up, speed up the development and opening up of central and western Zhejiang, the islands, and the ocean. We should give play to local superiorities and expand our opening up in all directions, at different levels, and through all channels; so that Zhejiang can truly become an important wing as the Changjiang Delta's economy take flight.

We should further widen the scope of foreign capital utilization to emphasize both quantity and quality. We should move ahead with our primary, secondary, and tertiary industries and stress large, medium-sized, and small projects; we should also concentrate our efforts on expanding size and raising standards. We must keep a reserve of projects and follow the state's industrial policy in guiding foreign capital input, particularly toward the infrastructure, raw material industries, and the "grafting" and transformation of old enterprises; we should encourage the opening of technology-intensive and export-oriented enterprises. We must actively utilize foreign capital to develop developmental agriculture and agriculture that earns foreign exchange. We must continue to improve the investment environment, utilize foreign capital in different ways, and in particular, pay attention to attracting even more investments from large enterprises and financial groups. We should recruit more foreign businesses and increase the ratio of actual foreign investment. We must strengthen management and give more play to the leading—dragon head—roles of the tax-free zones, economic and technological development zones, and the high and new-tech industry development zone and to the role as "windows" to the outside world of the "three kinds of wholly or partially foreign-owned" enterprises.

We must uphold the reform direction of unified policy, decontrolled management, fair competition, integration of

industry and commerce, and promotion of the agency system and fully mobilize the enthusiasm of the foreign trade companies at all levels, the non-state-operated export enterprises, and the "three kinds of wholly or partially foreign-owned" enterprises. We must use quality to gain business and further expand our foreign exports. We must optimize the mix of export commodities, raise the proportion of export of high added-value commodities and commodities that earn more foreign exchange, and open up markets in different ways. We should accelerate the foreign trade enterprises' change in management mechanisms and encourage them to become more industrialized, group-oriented, and internationalized to gradually become transnational operations. We should actively develop transportation, warehousing, and information and consultation and other service trades associated with the import and export trades and continue to expand our foreign economic cooperation and exchange, develop foreign contracted engineering projects, increase labor exports, and create the conditions for setting up enterprises outside of this province. We should actively develop trade and economic and technological exchange with Taiwan.

We should adjust to the development of the externally oriented economy and accelerate the construction of the enterprise management system, the economic operating modes, the social services system, and foreign-related policies and laws and regulations and so on. We must abide by international regulations and conventions and link tracks with international markets. We must step up training of personnel who handle foreign matter and promptly develop a mainstay contingent that is familiar with international trade, financial businesses, and international laws and regulations.

Three, actively utilize market mechanisms to allocate resources and give impetus to a proper and modern industrial structure.

Reinforcing agriculture's fundamental role is the primary task when adjusting the industrial structure. We should make developing agricultural output, vitalizing the agricultural products market, and increasing the peasants' income our goal. We must plant our foothold on deepening the reform, speed up the development of rural economic operating mechanisms and management system that meet the needs of the socialist market economy, and promote the modernization of agriculture to bring economic prosperity to the rural areas. One, we must work hard to strengthen leadership in agricultural and rural works. Party committees and governments at all levels must firmly establish the concept that agricultural is the nation's foundation and must never slacken its leadership in the agricultural and rural tasks. The party and government must personally take hold of agriculture, make sure that the party's rural policies are being implemented, organize the departments to serve agriculture and the peasants, and strengthen the comprehensive agricultural and rural work departments. We must nurture and stabilize a contingent of cadres who know agriculture, the peasants, and rural tasks well. Two, we must deepen rural reform. The responsibility system, which is dominated by the family-based

output-related contract system, and the two-tier management system which integrates centralization and decentralization must become the basic economic systems for the rural areas; they must be stabilized and constantly improved. While upholding the system of collective land ownership, we should extend the farmland contract periods and permit the inheritance of contract management rights in development-oriented production projects and allow the legal transfer of land-use rights with compensation. While vigorously promoting the shareholding cooperative system in township enterprises, we should also bring the system to the planting, forestry, livestock, aquatic products and developmental agricultural industries and other sectors. Three, we should strengthen macro guidance according to market conditions and develop "one superior and two high" agriculture to stabilize grain production and improve grain quality and optimize the mix of crops. We should vigorously develop non-grain foodstuff and develop developmental agriculture and agriculture that earns foreign exchange. We should increase effective supply and raise agriculture's economic efficiency and follow the law to protect farmland and stabilize the multiple crop indices. We must strictly prohibit the abandonment of farmland, and we must increase the land productivity rate. Four, we should comply with the profit principle and the internal production relations to promote the agricultural product purchase and marketing contract system and develop production bases and lead enterprises. We should set up a service network made up of rural collective economic organizations, state economic and technological departments, and peasant associations. We should develop different forms of management that integrate commerce, industry, and agriculture and set up and perfect different types of rural markets and encourage the peasants to get into the circulation sector. We should create a good social environment to link the thousands and hundreds of thousands of small producers with the ever-changing large markets and raise the level of socialized agricultural services and the level of organization as we orient the peasants toward the market. Five, we should actively and steadily promote proper scale economy in agriculture and increase the intensity in farming. We should develop more rural production and management entities that meet the needs of the socialist market economic development and smash community barriers, so that all types of factors of production can circulate properly within a wider area and optimize their recombination. We should increase labor productivity and attain economies of scale to gain new production superiority. Six, in the market economy, we should continue to attach importance to the government's vigorous protection and society's concern and support for agriculture. We should gradually sort out grain and other major agricultural product prices, amplify the reserve regulation system and market hazard fund, implement the protection price procurement system, and perfect the circulation system to protect the peasants' interests. According to the Central Party Committee, the financial ministry's annual agricultural input should increase faster than the increase in its regular revenues and agricultural loans should increase faster than the average rate of increase in other loans, and therefore we should

continue to increase agricultural and agriculture-related input. We should actively encourage the peasants and collectives to increase labor and fund input, increase basic farm construction, build and repair water conservancy projects, engage in afforestation and the greening of the environment, conserve soil and water, continuously improve agricultural production conditions, and strengthen the agricultural material and technological bases.

Strengthening infrastructure construction and optimizing the industry mix are the keys to the readjustment of the industrial structure. The emphasis of infrastructure construction should be on transportation, communications, power, and water conservancy projects. Under the state's unified planning, we should give full play to the superiority of the Beilun deep-water port and accelerate coastal port constructions, with the emphasis on Ningbo and Zhoushan and also include Wenzhou, Taizhou, and Zhapu, to gradually transform the inland river channels and form a colony of ports that accentuate the important, share in proper division of labor, supplement each other's advantages, and are fully equipped. We should focus on airport construction, with special emphasis on the Hangzhou International Airport, and form a colony of large, medium-sized, and small airports. We should speed up the construction of the Shanghai-Hangzhou-Ningbo, Ningbo-Taizhou-Wenzhou, Hangzhou-Jinhua-Quzhou, and the Hangzhou-Nanjing (the segment within Zhejiang) freeways; the Jinhua-Wenzhou and the Zhejiang-Jiangxi railways and the Xiaoshan-Ningbo multiple rail tracks; we should also actively study the feasibility of constructing local railways in Jinhua, Ningbo, and Taizhou, and do a good job with planning and construction, so as to gradually form a complete road-to-port land transportation network. We should expand the land-water-air trunklines' transport capacity and gradually set up a broad communications avenue that spans the whole province and links with other provinces. We must do a good job with the construction of communications facilities and create a quality, efficient digital communications network throughout the province. We should strengthen power planning and development and accelerate the construction of coastal power plants, Tianhuangping water pumping and storage plants, and electric wire netting in Beilun, Jiaying, Wenzhou, Taizhou, and Qinsan, and gradually ease and improve the province's power supply situation. We should draw up a plan for harnessing the major rivers and lakes and key flood-prone areas, tackle the major water conservancy and city water supply projects, increase our flood-prevention and draught-resistant capabilities, and improve industrial and residential water supply situation. We should pay more attention to municipal projects and public utility projects, strengthen geological exploration and develop and utilize our mineral resources properly.

The focal point of the readjustment of the industrial structure is the processing industry. We should target both domestic and foreign markets, make efficiency our core, utilize high and new technologies to transform traditional industries, and accelerate the pace of readjusting the

product-mix. We should make vigorously increasing the products' technological content the main direction of assault and upgrade our technological equipment, production techniques, and enterprise organization to create some superior specialty products that are high in quality and grade, that have high added-value, that have attained economies of scale, and are very competitive. We should strengthen and elevate our mainstay industries and give more play to the superiority of our machinery and electrical, textile, foodstuff, chemical, building materials, construction and other mainstay industries. We should foster lead industries and focus on the electronic information industry, with the main emphasis on telecommunications equipment and computers; the machinery industry, led by communications and transportation equipment and engineering machinery; the chemical industry, led by new synthetic materials and fine chemical industry. They should gradually become the basis of our new industrial superiority. We should make use of Ningbo and other coastal ports as well as the existing large mainstay enterprises to actively develop basic raw materials industries and give impetus to the development of the processing industry in the hinterland. To speed up the restructuring, we should let ourselves be guided by the overall plan and give even more play to the role of market mechanisms. For the processing industry, regardless of whether it is state-owned industry, city and town collective, or township industry, the basic approach to restructuring is to establish enterprises as the main investment entities, establish the superior and eliminate the inferior amid market competition, promote the proper circulation of factors of production, and let urban and rural industries support and supplement one another. For infrastructure and basic industries that need government support, we must make comprehensive planning, link the state and the localities, and undertake construction projects on a joint basis. We not only must give play to the government's coordinating role as the main investment entity but also bring in market mechanisms and widen the investment fund gathering avenues. Qualified capital construction projects can set up shareholding companies to be in charge of fund gathering, project construction, and post-construction operations to industrialize the infrastructure and increase investment efficiency.

Accelerating the development of the tertiary industry is an important link in promoting proper industrial structure. Combining the characteristics of Zhejiang's industrial structure and development trend, we should emphasize the development of commercial, financial, insurance, tourist, and real estate industries which have large potential markets, great impetus, and high added-value. We should accelerate the development of information, technologies, law, accounting, auditing, assessment, consultation, and other intellectual services and export-oriented services. In particular, we must give play to Zhejiang's rich tourist resources and vigorously improve tourist facilities and expand the tourist network, improve service quality and further expand international and domestic tourism. We must make modernization, socialization, and industrialization our direction as we broadly mobilize all forces in

society. We should make use of state, collective, individual, and foreign capital and make central plans, accentuate the important, bring in the competitive mechanisms, and develop the tertiary industry with speed and efficiency.

Four, we should implement the strategy of using science and education to vitalize the province and promote economic development and social progress.

Science and technology should be used in the main battleground of economic construction. We should put the emphasis on strengthening research, development, and application of new technologies and speed up the development of new- and high-tech and other industries and set up basic research. We should continue to carry out the "Spark," "Bumper Harvest," "Blazing Prairie," and "Torch" programs and "Golden Bridge" project. We should combine agriculture, science, and education and use the development and propagation of fine crop varieties as the breakthrough point to strengthen the comprehensive development and application and service capability of agricultural science and technologies. We should vigorously bring in foreign technologies and combine foreign technologies with our own and use new technologies, especially electronic technologies, to transform traditional industries. We should apply the principle of limiting our objective, accentuating the important, and giving play to our superiority to focus on electronic information, new materials, new energy, bio-tech, and integrated electronic machinery and other areas to create some high and new tech enterprises. We should set up new and high-tech industrial development zones and promote the commercialization and industrialization of new- and high-tech results.

We should set up a new system that is compatible with and promotes the development of the socialist market economy that complies with science and technology's own laws of development and closely links science and technology to the economy. We should abide by the guiding principle of "stabilizing one end at a time and opening up one parcel at a time" and strengthen basic and high-tech research and decontrol the research, development, and management activities of the technological development and scientific and technology service institutions. We should encourage the scientific and technological institutions and colleges and enterprises to work together on technological development. We should set up technology advancement mechanisms in enterprises to integrate the market, scientific research, and production, so that they become the main technology development entities. We should strengthen the intermediary links that turn science and technology into productive forces and vigorously develop a market for technologies and improve management, supervision, and service system. We should actively develop scientific and technological enterprises with different kinds of ownership formats and management methods.

We should put education in a strategic place to be given development priority and diligently implement the "The National Education Reform and Development Program."

We should vigorously strengthen basic education and actively develop vocational education, adult education, and higher education and also encourage people to learn on their own, use different channels to nurture many skilled workers and professionals, and gradually develop an education system that meets the needs of economic and social development, so that we are ready to face the 21st century. Schools at all levels and of all types must abide by our educational guiding principles to improve the quality of education. We must work hard to set up some senior high schools, polytechnic schools, and vocational-technical schools that have scale efficiency, provide quality education, and are exemplary. We should speed up the reform of the education system and set up education investment mechanisms with the state's financial allocation playing the major role but also contain other fund-raising channels to create a new system where the government plays the main part but society also has a role in running the schools. We should expand the institutions of higher education's rights to make their own decisions, and we should work hard to make the schools even better, so that their size and structure are more reasonable and their quality and efficiency are improved, and we should strive to put some colleges in the state's "211 Project" and raise the province's overall educational standard and strength.

We must respect knowledge and talent, acquire a stronger sense of science and technology and education, and diligently implement the Party's policy toward intellectuals and the "Scientific and Technological Advancement Act," the "Teachers' Act," and other laws and rules and regulations. We should take effective measures to improve the intellectuals' work, study, and living conditions and stabilize and strengthen the science and technology and education contingent. We should further create the environment and conditions to make the most of every individual and to produce as many as talented people as possible. We should gradually install an open recruitment system, encourage fair competition, and promote proper circulation of talented people. We should warmly welcome personnel who study abroad to show their concern and support and to participate in Zhejiang's modernization and make proper arrangements for those who have returned and formulate policies to make it free and convenient for people to come and go. We should increase input in science and technology and education. Input in science and technology which accounts for around 1 percent of the GDP today should be increased to more than 2 percent; input in education should be increased from around 2 percent of the GDP today to around 4 percent.

Five, we should give play to local superiorities and promote coordinated regional economic development.

Based on regional economic and geographic characteristics and conditions and using the core cities and transportation trunklines, we should gradually develop economic districts of different characters. We should follow the State Council's Changjiang Delta and Changjiang river bank regional economic plan, put the emphasis along the Shanghai-Hangzhou-Ningbo Highway, make plans to develop them first and further expand the pattern of opening up. We

must give full play to Hangzhou's economic, scientific and technological, and cultural superiority and increase its influence as provincial capital city. We should accelerate the construction of transportation and shipping lines from Beilun to the interior, making it one of the major ports that brings the Changjiang Delta to the international markets. We should further develop and utilize Ningbo and the Zhoushan deep-water maritime space to gradually form a large international entrepot and turn Ningbo into a major commercial port and heavy and chemical industries base in East China. We should give full play to the Hangzhou, Jiaxing, Huzhou, Shaoxing, Ningbo, and Zhoushan prefectures' existing economic superiority and rely on the core cities and take advantage of their locale, which link northern Zhejiang to Pudong, and make an earnest effort to strengthen the technological transformation of traditional industries and old enterprises and develop rising industries to gradually form an economic belt that is even more externally oriented and technologically advanced. For Wenzhou and Taizhou and other coastal areas, we should actively give play to Wenzhou's role as an open city and speed up Taizhou's core city construction. We should take advantage of their existing fairly flexible enterprise mechanisms and their ability to respond quickly to market changes, develop the industrial space along the coast and the highway, work hard to upgrade industries quickly to form a superior industrial zone that face the domestic and foreign markets and emphasize "light, small, and fine" industries as a characteristic. For the region along the Zhejiang-Jiangxi railway and Jinhua-Wenzhou railway, we should give full play to transportation's ability to bring things together and give impetus to the economy and develop the relatively rich local natural resources and further develop the processing industry, development agriculture, and the service industry. We should actively open up the border economy and strengthen Zhejiang's impact as the great western door. We should strengthen the central city construction of Jinhua, Quzhou, and Lishui prefectures and give play to their superiorities and speed up development to gradually form an economic corridor that goes through the three prefectures all the way to the coast.

While strengthening core city construction and raising the level of urbanization, we should seize two focal points and accelerate county economic development. One, we must vigorously develop township enterprises and make them much more advanced. Township enterprises play an important role in the county economy, and they must change their operating mechanisms and adopt a new property rights system and management methods to further increase their vitality. We must accelerate their technological transformation, promote technological progress, and give play to the exemplary role of Shaoxing's small light and textile and machinery and electronics Spark-technology-intensive zones and promote high quality products and higher management standard and economic efficiency. Through the circulation and recombination of factors of production, we should develop a group of large and medium-sized and externally oriented mainstay enterprises and optimize the enterprise organizational structure

to create an even better enterprise setup. For Zhejiang's southwestern region and the minority nationality regions, we must adopt even more versatile policies and give them active support and accelerate the development of township enterprises. Two, we must accelerate rural town and township construction, strengthen the planning and management of township construction, and promote the gathering of factors of production in the small towns and townships. We must focus our energy on turning the county towns into small cities; a handful of the qualified towns should be turned into mid-sized cities. We should support and develop some larger towns and townships at different levels and expand their jurisdiction and give full play to their role as links and to their ability to impact others. The development of rural market town should be linked to the development of small industrial zones and markets. Every industry's own characteristics, the flow of commodities, and human tradition should be taken into consideration, and the existing market towns as backdrop, we should design a proper pattern and form a net work. Construction of town and township infrastructure should rely mainly on the strength of the masses of peasants; we should let the "peasants build peasant towns and townships."

We should gradually reform the household registration system in the small cities and towns and attract peasants to the cities and towns to work in industries or do business, speed up the transfer of surplus rural labor, gather the agricultural product processing industry and other township enterprises in the small cities and towns, and give impetus to the development of the service industries in the rural areas.

We should speed up island and maritime development and gradually grow a large maritime economy in the province. We should cultivate a stronger sense of the maritime territory, maritime economy, and maritime environment. We should insist on using opening up to promote development and make unified plans and implement them in steps. We should take advantage of our location and our resources and let ports, fishery, industry, trade, and tourism promote one another while focusing on the development of ocean shipping industry, ocean aquatic industry, ocean-front industry, island tourism, and domestic and foreign trade. At the same time, we should emphasize and actively support the rising maritime industry, especially the development of new and high-tech maritime industry, and get organized to develop our superiority in maritime industry. We should boldly utilize foreign and domestic funds, set aside entire islands for development, increase input in maritime development and island infrastructure through various channels and at different levels to gradually set up some lively and vigorous island and maritime development operating mechanisms.

We should strengthen construction in the mountain areas and open up wider both to the inside and outside. We should further loosen our policies and increase input through more channels, and starting with improving the production and living conditions, we can plan some infrastructure projects and give the area special support and consideration in terms of technology and human and

financial resources. Constructions in the mountain areas must be based on self-reliance. We must endure hardship, suit measures to local conditions, and give play to local superior factors to enhance their developmental capability. We should bring in funds, technologies, talents from the big cities, large enterprises, colleges and universities, and science and research institutions. We should emphasize development along the highway and along the river and give play to the ability of small market towns to bring along the economy; develop developmental agriculture, processing industry, and service industries; and raise the comprehensive economic development standards.

We must step up our poverty-relief efforts and strive to solve the basic food and shelter problems of people in the poverty-stricken regions, the old liberated areas, and the reservations quickly and steadily, so that they can become relatively well-off by the end of the century. Zhejiang's poor regions are mostly in the mountain areas, and besides carrying out the state's policies toward the mountain area, we must continue to practice a series of proven-effective poverty-relief methods by linking departments and localities, through science and technologies, through funding, and through regular contacts with leading cadres. We must meet the needs of the development of socialist market economy, further broaden our thinking, and take even more effective measures and get organized as we make our assault. One, while we continue to do a better poverty-relief job, we should encourage people to go elsewhere and leave the mountains, utilize the developed region's economic and social advantages to organize labor export, and gather the factors of production in the developed regions to open industrial and commercial enterprises. Two, through policy guidance, we can seize the opportunity as the economically better-developed coastal regions are upgrading their industries to shift labor-intensive industries and products to the poverty-stricken areas. Three, while fully respecting the masses' wishes and making sure that they have steady income, we should gradually move some of the poor villages and poor households from the high mountain areas that have no chance of developing to areas along the highway and the river and to the river basin and the market towns to develop production and escape poverty. Four, we should perfect the poverty-relief fund input mechanisms, utilize the poverty-relief funds centrally, increase fund-use efficiency, and make an effort to increase our ability to "make new blood."

Six, we should promote socialist democracy and legislation, maintain an orderly economic environment, and protect social and economic stability.

We should further improve the people's congress system and strengthen the legislative and supervisory functions of the people's congress and its standing committee. In accordance with the Constitution and the party constitution, we should acquire a better understanding on upholding and perfecting the basic political system of the people's congress, make sure that the people's congress and its standing committee can carry out their duties according to the law, diligently protect the people's right to oversee the state's and society's affairs, and give even more play to the role of

the people's representatives. We should strengthen leadership in legislative work and pay attention to the legislative program and standardize the legislative process to meet the needs of the socialist market economic development and strengthen the legislative system's ability to guide, discipline, protect, and restrain. In heeding the Party Central Committee, giving expression to the reform spirit, and making promoting the development of the productive forces our objective, we should take Zhejiang's realistic situation into consideration and focus on laws and regulations to standardize the market entities' behavior, preserve market order, strengthen regulation and control and management, improve public security, and promote the opening up to the outside world. At the same time, we must attach importance to legislations pertaining to the construction of the spiritual civilization and honest government, protection of the citizens' rights, and preservation of public security; we must handle everything according to the law. We must launch universal legal education in a planned and systematic way at different levels and aiming at different targets. We should make it a point to disseminate basic legal knowledge about the market economy and diligently increase the masses of cadres' and the public's legal knowledge and legal consciousness. Party organizations at all levels and CPC members should set the example and implement the constitution and the law and insist on doing everything according to the law.

We should reinforce and develop a patriotic united front for the new era, perfect the system of multi-party cooperation and political consultation under the CPC's leadership, and give full play to the people's consultative conference in political consultation and democratic supervision roles. We must uphold the guiding principle of "permanent coexistence, mutual supervision, utter devotion, and sharing of honors and disgrace" and increase consultation and discussion with the democratic parties and factions and select and arrange for members of democratic parties and non-party-affiliated personages to serve in leading positions in state organs and work with them. We should further reinforce the coalition of the entire body of socialist workers, patriots who support socialism, and patriots who support the unification of the fatherland. We should educate the masses of party members, especially the leading cadres at all levels, on united front theory and general and specific policies in the new era and create good conditions for the democratic parties and factions and mass organizations and patriotic personages to participate in government and discuss politics. We should seriously implement the party's policy toward religion and strengthen the administration of religious matters in accordance with the law and actively provide guidance to make religion compatible with socialism. We should fully implement the party's policies toward the nationalities, overseas Chinese, and Taiwan and do good overseas united front work. We should mobilize all positive factors to help Zhejiang Province accelerate its reform and opening up and economic construction.

We should set up a scientific, democratic decision-making procedure and system and amplify democracy; open up

more avenues for free speech; listen to the ordinary people expressing their opinions, criticisms, and suggestions about the party and the government; and increase the masses' participation in government. When making decisions on major policy measures and construction projects affecting the province's economy, we must first solicit suggestions from society, including all kinds of experts and research and consultation organizations, and carefully conduct feasibility studies and scientific debates. We must strengthen grass-roots democratic construction and diligently give play to the roles of the workers' representative assembly, the residents committee, and the villagers committee.

We should uphold the people's democratic dictatorship, strictly apply the Constitution and the law, protect social and political stability, and do a good job with the comprehensive administration of public security. We should reinforce law enforcement and judicial work, protect the people's courts' and procuratorates' independence in carrying out their duties according to the law, and legally protect the people's right and preserve social order and punish all sorts of criminal elements, so as to serve reform and opening up and the economic construction. Party committees and governments at all levels must set up a comprehensive public security leadership responsibility system to strengthen leadership in public security work. We must uphold the guiding principle of integrating the specialized work under the party committee's leadership and the mass line, emphasize crackdown and prevention, deal with the symptoms as well as the causes, strengthen comprehensive administration of public security—putting the emphasis at the grass-roots level, and practice comprehensive administration and management-by-objective. We should properly handle the people's internal contradiction and pay close attention to the serious problems that can jeopardize social stability during reform and opening up. We should comply with the laws and policies in regulating various economic and social relations, take the initiative to do a good job, attach importance to the masses' letters and visits, nip all problems in the bud, and solve all problems at the grass-roots level. We should focus on serious public security problems and promptly organize efforts to struggle against specific and key problems. We should impose severe punishment on criminal elements committing serious penal and economic crimes and wipe out society's many ugly and evil phenomena. We should attach importance to national security work and set up a people's defense line to preserve national security and crack down on activities of subversion and sabotage instigated by hostile forces at home and abroad. We should strengthen the political and legal departments' own construction and improve the quality of the cadres and police and the standards of law enforcement. We should launch national defense education to strengthen the people's national defense concept. We should uphold the principle that the Party is in charge of the military, strengthen militia reserve duty, and do a good job with the people's armed forces and

air defense. We should support the army and give preferential treatment to families of revolutionary soldiers and martyrs and show concern and support for the troops stationed in Zhejiang.

Seven, uphold the guiding principle of emphasizing construction and put socialist spiritual construction onto a higher plane.

We must wrap tightly around the core of economic construction, adapt to the new situation and new tasks, and strengthen and improve spiritual civilization. We must diligently implement the "Zhejiang Socialist Spiritual Civilization Construction Program (1993-2000)," focus on the new situation and new issues, promptly study policy measures, continuously make new demands at every stage, emphasize implementation, strive for periodic results, and maintain the coordinated development of the two civilizations.

We should make improving human quality the core while strengthening ideological and moral constructions. We should insist on using Marxism and Mao Zedong thoughts and especially Comrade Deng Xiaoping's theory on constructing a socialism with Chinese characteristics to guide the people's thoughts and action. We must further liberate our thinking and smash the "leftist" and old ideological bondage, reinforce the idea of reform and opening up, and establish new ideas and new concepts that are compatible with the socialist market economy. We should encourage the theoreticians to go deep into society's real situation and focus on the major theories and practical issues pertaining to the construction of a socialism with Chinese characteristics, utilize Marxist stand, viewpoint, and method to launch their studies with creativity, strengthen their theories, and let philosophy and the social sciences flourish. We should vigorously disseminate Marxism and continue to educate the masses on patriotism, collectivism, and socialist education. We should go deep with our propaganda and amplify the new era's pioneering spirit advocated by Comrade Jiang Zemin and be ready to make contributions and to struggle arduously. We should increase the nationalities' self-respect, self-confidence, and self-reliance; uphold a correct outlook on life and value and advocate civilized and healthy lifestyle; resist the corrosion of capitalism and corrupt feudal ideologies; take a clear stand against money worship, extreme individualism, and corrupt lifestyles. We must get a firm grip on professional ethics and social moral education and advocate unity and mutual aid and respect for the old and love for the young. We must boldly stand up for what is right and get rid of outdated conventions and bad customs, transform social customs, propagate atheism and oppose feudal superstition, and foster good social customs. We must attach great importance to educating young people on our revolutionary tradition, ideologies and character, and the legal system. The schools, families, and society should work closely together to nurture a new generation of people who have ideologies, morality, culture, and discipline. We should improve the content and method of conducting ideological and political work and find even more effective ways and means and channels to filter

through and mix ideological and political education into different aspects of reform and opening up and economic construction and fully mobilize people's enthusiasm.

We should broadly launch spiritual civilization construction activities and increase the masses' participation rate. Our spiritual civilization must give expression to the spirit of doing concrete work and getting concrete results. They should be in forms that the masses enjoy and appreciate and are tightly linked with and are crucial to the masses' work and life. We should continue to widely hold civilized-city-founding competition and sponsor activities to create civilized cities and towns, civilized units, and civilized small zones; hold activities to encourage "five-good" families and to unite the army with the people and the police with the people. We should actively make the communities, villages and townships, enterprises, and campuses more civilized and give civilization new substance under the new situation and bring spiritual civilization to the grass-roots in town and country. Spiritual civilization construction is every department's and everybody's business, and we must give full play to the positive roles of the party, government, and military committees; the workers, youth, and women's committees; old people's committees, other working committees, and urban and rural enterprises and institutions concerned about the next generation in the construction of spiritual civilization.

We should uphold the direction of "serving the people and serving socialism" and the guiding principle of "letting a hundred flowers blossom and a hundred schools of thought contend" to help socialist cultural undertakings flourish. We should give full play to Zhejiang's cultural superiority, continue to amplify the nationalities' fine cultural traditions, absorb the fine results of world culture, and strive to create even more and even better spiritual products that reflect the rhythm of the times, and at the same time, we should pay attention to diversity to satisfy the masses' different, multi-level, healthy, and progressive spiritual needs. We should develop literature, arts, news, publication, broadcast, movies and television and other cultural undertakings and correctly handle the relationship between social benefits and economic benefits while putting social benefits first. We should attach importance to propaganda and public opinion, uphold the principle of party spirit, firmly establish the mass viewpoint, integrate the party's responsibilities with the people's responsibilities, and correctly ascertain the direction of public opinion. We should mainly use positive propaganda; make unity, stability, and agitation the theme; and give full play to the functions of propaganda, unity, education, and incentive among the masses. We should set up and improve all types of laws and regulations and systems and strengthen the administration of the cultural market and clean up spiritual garbage and negative and corrupt phenomena.

We should attach importance to input into spiritual civilization construction and guarantee yearly increases. The construction of the spiritual civilization's "hardware" should be included in the nation's economic and social development plans. We should formulate and implement

cultural and economic policies to widely attract funds, including winning civilian support and attracting foreign capital, to gradually form a multi-level, multi-formatted spiritual civilization construction pattern where the state, enterprises, institutions, and individuals all play a part.

Eight, we should attach importance to population control and environmental protection and improve the quality of life.

In addition to developing the economy, we must continuously improve living conditions in the cities and the countryside. We must open up the production sectors and increase employment opportunities. We should gradually set up a wage system and a normal wage increase mechanism that is consistent with the characteristics of respective enterprises and institutions and various organs to increase the workers' actual income. We should strengthen commodity price management and keep the price level under control to protect the consumers' interests. We should do a good job with the market basket project and make a vigorous effort to build urban nonstaple foodstuff and vegetable production bases and improve the supply situation. We must show concern for the low-income workers and do a good disaster-relief and poverty-relief job. We must attach importance to reducing the peasants' burdens, lower production cost, and increase agriculture's economic efficiency, increase the peasant's income in various ways, and narrow the income gap between the urban and rural population. We must provide primary-level public health and health care in the rural areas and further develop urban and rural medical and sanitation and athletic undertakings and improve the people's health standard and their physical condition. We should pay attention to the construction of urban and rural public utilities and continue to improve housing conditions in the cities and towns. We must make improving the filthy, chaotic, and poor conditions the focal point and work on the greening, the beautification, and the cleaning up of the urban areas. We should make changing the water supply and the lavatory conditions the focal point in improving rural environment and sanitation condition, strengthen village and township construction plans, and improve the appearances of the villages. We should strengthen environmental protection concepts; tackle environmental pollution problems; protect and properly utilize the land, mineral resources, forests, and water and other natural resources; and gradually improve the ecology and the environment.

We should continue to work diligently on family planning and make sure that we can reach the population control goals. We must insist on producing healthy babies and bringing them up in a good environment to improve the quality of the population. All businesses and industries and everybody must comply with the law and do a good job with family planning, take full responsibility, "veto by one vote," take other tough measures, and improve the minority nationalities' family planning work. We should study the question of population control under market economic conditions and strengthen the control of the mobile population. We should focus on Zhejiang's accelerated change in population-mix, actively study and

resolve all the problems brought by the aging population, and include our gerontological undertakings in the social development program.

IV. Strengthen and Improve Party Leadership

The key to speeding up reform and opening up and promoting socialist modernization and thoroughly and correctly implementing the party's basic line lies in proper party construction. In the new historical era, the party will find itself in a new environment and face very different tasks. In the wake of the development of the socialist market economic system and the expansion of our opening up to the outside world, the economic, political, cultural, and other aspects of society as well as the people's thinking and concepts, value, and behavior will necessarily change dramatically too. These not only will bring new life and vitality to party construction but will also pose new problems. We must take the initiative to adjust to the changing situation and tasks and accept the new tests. Guided by the theory of constructing a socialism with Chinese characteristics and the party's basic line, and heeding the 14th National Party Congress, we must insist that the party is in control of the party, and we must administer the party strictly, strengthen party construction, carry on the party's fine tradition, actively explore new ideas and new methods, strive to raise the party's governing and leadership standards, and turn the province's party organizations at all levels into strong leadership cores and fortresses to accelerate the reform and opening up and the socialist modernization construction.

One, we must strengthen ideological construction and firmly insist on arming the province's party members and cadres with the theory of building a socialism with Chinese characteristics.

Studying Marxism and Mao Zedong thought and arming the party with the theory of constructing a socialism with Chinese characteristics are the most basic of the party's ideological and theoretical construction tasks and the most fundamental work in strengthening and improving party construction, and they are also basic means to enhance our self-consciousness and steadfastness in implementing the party's basic line and to achieve a high degree of ideological and political unanimity. We must thoroughly and systematically study this theory and truly understand the nine theoretical viewpoints and principles summed up in the 14th National Party Congress's report, so that all party members, especially the party's leading cadres, can further reaffirm their conviction in socialism and communism and continuously improve their ideological and political quality and work standard.

The publication, Volume 3 *Selected Works of Deng Xiaoping*, was a major event in the party and the state's political life. *Selected Works of Deng Xiaoping* is the most important and most creative work in the course of Comrade Deng Xiaoping's formulation and development of the theory on constructing a socialism with Chinese characteristics. It is the theoretical summation of Comrade Deng Xiaoping's rich experience in leading the reform and opening up and the socialist modernization. It is the

continuation and extension of Mao Zedong thoughts; it is contemporary Chinese Marxism; it is a scientific guide as we continue to push forward. Today, in studying the theory on constructing a socialism with Chinese characteristics, the focus should be on studying *Selected Works of Deng Xiaoping*. Party organizations at all levels must follow the Central Party Committee's and the provincial party committee's program and be diligent in their study and propaganda work.

We must tightly link our study with reality and seriously study the original work and grasp its spiritual essence. We must integrate studying Comrade Deng Xiaoping's strategic ideas and theoretical viewpoints with the study of his scientific attitude, creative spirit, and revolutionary style and link the study of *Selected Works of Deng Xiaoping*, to the total embodiment of the spirit of the 14th National Party Congress and the Third Plenary Session of the 14th Party Central Committee. We should further deepen our understanding of the ideological line of liberating our thinking and seeking truth from facts and the essence of socialism and the party's basic line, smash the backward traditional concepts and subjective prejudices, change the state of mind of sticking to old ways, increase the tempering of party spirit, increase the sense of principle, system, and farsightedness and creativity in our work, and strive to raise our Marxist theory standard. The socialist market economic theory is an important part of the construction of a socialism with Chinese characteristics. We must link the practices of reform and opening up to the successful experiences of foreign economic development, study hard, and quickly grasp the basic theories, basic laws, and basic knowledge of socialist market economy and increase our ability to study new situations, solve new problems, and create new patterns.

Leading cadres at all levels, especially leading cadres at above county department level, must take the lead in conducting industrious studies and meticulous research. They must be good at theoretical reasoning and applying what they have learned and set an example to give impetus to the masses of cadres and CPC members in their studies. We should continue to uphold the system of setting up party committee theory study central groups at different levels and the system of training leading cadre and link the leading cadres' on-the-job study and their away-from-production training. Party committee propaganda and organizational departments at all levels must strengthen their guidance, supervision, and examination in the studies. Party schools and cadre schools at all levels must make gathering the cadres to study Comrade Deng Xiaoping's theory on constructing a socialism with Chinese characteristics the main topic of cadre training. Education in Marxist theory in the colleges should also be strengthened and improved accordingly. The masses of people engaged in propaganda and theory work must intensify their study of and give even more publicity to the theory of constructing a socialism with Chinese characteristics.

Two, strictly implement the system of democratic centralism and guarantee the party's unity and integrity.

Democratic centralism is the party's and the state's basic system. Only by strictly implementing democratic centralism and amplifying the party's internal political life can we pool the wisdom of the province's party organizations at all levels and of the masses of party members, reach a consensus on all major issues relevant to the people's basic interests, increase unity, and maintain unanimity in action, so that we can be sure that our decisions are correct and our implementation effective and the party's combat capability is enhanced.

When upholding democratic centralism, we must practice the kind of centralism that is based on democracy and the kind of democracy that is centrally guided. We must emphasize further amplifying democracy and actively dredge and expand democratic channels within the party. We must know how to listen to different ideas and diligently protect the democratic rights of organizations at all levels and all party members as stipulated by the party constitution. Important situations that affect the big picture must be reported to the party promptly, and the party's opinion must be solicited before making important decisions. This should be turned into a system. The party members and leading cadres must have good democratic workstyle. Party committees at all levels must uphold and amplify the system of collective leadership. All major issues must be thoroughly discussed, and decisions should be made collectively. Individuals must resolutely carry out the collective decisions and not do as they please. We must correctly handle the relationship between individuals and the organization. No individual is above the organization. We must strictly abide by the party's organizational principles and political discipline. Individuals must submit to the organization; minority must submit to the majority; subordinates must submit to their superior; the party must submit to the Party Central Committee. We must firmly oppose liberalism and rectify the absence of organization and discipline. We must consciously maintain a high degree of unanimity with the Party Central Committee in ideologies, on political matters, and in action to preserve the Party Central Committee's authoritativeness. In particular, as the interest pattern adjusts to the deepening reform, it is even more important that we take the whole situation into consideration and insist that the parts submit to the whole and make sure that government orders are not obstructed and orders and prohibitions are strictly obeyed. We should strive to create a centralized but democratic and disciplined but free political pattern which represents unified will but also expresses individual wishes and which is lively and energetic.

Party unity is the party's life. Leading cadres at all levels, especially the important leading cadres in the party and government, must set the example of unity, strictly abide by the party constitution and various regulations that set the norms for the party's political life, amplify the party's system of holding meetings on democratic life, actively engage in criticism and self-criticism, and increase unity by upholding party spirit principles. We must put the party's undertakings first and never get entangled in personal grievances. We must trust one another, support one another, understand one another, work together with one

heart, and diligently increase the leading groups' solidarity and combat capabilities. We should enhance the unity between new and veteran party comrades. The young comrades must respect the veteran comrades and sincerely heed their suggestions. The old comrades must show concern for, understand, and love the young comrades and support their work warmheartedly. Under the leadership of the party committee, we must unite the party from within and without.

Three, strengthen the construction of the leading groups and increase our ability to master the whole situation.

Building leading groups at all levels is the basic guarantee of the thorough implementation of the party's basic line and is also the key link in strengthening and improving party construction. We must work hard to turn the leading groups at all levels into strong leading collectives that are true to Marxism, that insist on embarking on the road of socialism with Chinese characteristics, that have the courage to reform and are pragmatic in its creativity. They must be unified and harmonious, hard-working and honest, and must be able to maintain a close relationship with the masses.

Leading groups at all levels must firmly establish the idea of making economic construction the core and "grasping with both hands" to strengthen leadership in socialist modernization. We should follow the Party Central Committee's macro decisions, know how to make use of international and domestic situations as well as local conditions to determine the strategic goals and work ideas for economic and social development, formulate important general and specific policies for reform and opening up and for the construction of the two civilizations, and make important decisions and plans on major issues that impact the overall pattern of the era. We must amplify the democratic and scientific decision-making system and make investigation and study the basis of success and the road to new opportunities. We should know how to sum up our experience, improve leadership methods, broaden our knowledge, understand the whole situation, learn economics, attain professional proficiency, and raise the leading groups' overall standard in discussing major issues, managing the big picture, and making important decisions. We should give full play to the party committees as the leading core and strengthen and improve the leadership of the people's congress, the government, and the political consultative conference. We should put economic construction at the center, take the overall situation into consideration, coordinate all aspects, and mobilize all positive factors to form a cohesive force.

We must uphold the guiding principle of nurturing "revolutionary, young, intellectual, and professional" cadres and the principle of emphasizing both ability and moral when selecting and appointing cadres. Cadres who resolutely implement the party's basic line, who have a strong sense of revolutionary undertaking and a strong sense of responsibility in serving the people, who have outstanding accomplishments in reform and opening up and the modernization construction, and who are demanding of themselves and have earned the trust of the masses should be

assigned to important posts. Cadres who are incompetent at their present jobs and who are irresponsible must be demoted. We should encourage the cadres to make bold attempts in reform and make new breakthroughs. We should sincerely help those who have flaws or have made mistakes at work. We should help them review their experiences and lessons to keep up the cadres' enthusiasm. We should uphold the principle that the party controls the cadres, and when choosing and appointing cadres, we must amplify democracy and uphold the mass line and do everything according to regulated procedure. We must smash the outmoded concepts of dwelling on seniority and rank and always demanding perfection; instead, we should broaden our outlook and widen the channels of hiring. We should hire people from all corners of the land based only on merits and must avoid and resist all unhealthy tendencies in employment. Those who have a serious problem with individualism and always demand good jobs must never be put in important positions. From the strategic high point of modernization, we should select many fine young and middle-aged cadres and continue to attach importance to building a contingent of reserve cadres and vigorously nurture successors to the socialist undertaking in the next century. We should attach great importance to nurturing and promoting woman cadres and minority nationality cadres and actively promote the reform of the cadre personnel system to meet the needs of the socialist market economy. We should bring in competition and incentive mechanisms and insist that cadres work at the top and the bottom, and we should implement the cadre exchange system. We should diligently implement the cadre on-leave and retirement systems and show concern for them politically and in everyday life, so that they can still accomplish something and pass their old age in peace. We should take practical steps to show concern in every way we can for the veteran party members in the rural areas.

Four, strengthen grass-roots party organization construction and give full play to the CPC members' vanguard role.

The party's grass-roots organizations are at the frontline of reform and opening up and the socialist modernization. They are the basis of the party's work and combat strength. We should take the different characteristics of the villages, enterprises, schools, and organs into consideration to strengthen the grass-roots organizations' own construction and increase their combat strength as we reform and open up and develop the economy. In the rural areas, township (town) party committees and village party branches must make developing rural productive forces and leading the peasants toward the goal of becoming relatively well-off the focus of their work; they must tightly integrate them with the realities of rural economic construction and reform and opening up, do a better job with the village-level organizational setup that centers around the party branches, and bring their core leadership role into play as we go all out to promote rural economic and social development. Enterprise party organizations must revolve around accelerating the change in management mechanisms and gradually set up a modern enterprise system and tightly integrate it into the production and management

activities, strengthen ideological-political work, and nurture a contingent of workers with the "four haves"—[ideal, moral, culture, and discipline], so that they can participate in enterprises' major decisions and guarantee and supervise the implementation of the party's and the state's general and specific policies toward enterprises and manifest their political core role. Party organizations in the schools must thoroughly implement the party's educational guiding principle and actively promote education reform and development. Their basic task should be to nurture builders and successors of socialist undertakings who are moralistic, intelligent, and physically-fit. Party organizations in government offices must help the administrative leaders complete their tasks and play a positive role especially in helping to change their functions and workstyle, in serving the grass-roots, stepping up supervision, and providing guarantees.

In the wake of reform and opening up and the development of the socialist market economy, economic entities of different economic makeup, organizational format, and management systems have greatly increased, and the production and management styles have changed dramatically. Construction of grass-roots party organizations must also adjust to the new situation and make appropriate changes in terms of organization installation, content of work, types of activities, leadership methods and so on. We must carry on and amplify our fine traditions but also actively explore new methods and sum up new experiences. We must diligently review the management-by-objective of party branch work implemented in recent years, launch such activities as "double strive, double evaluate" and "becoming fairly well-off villages," and meld grass-roots party construction, spiritual civilization, and economic construction into one whole experience. We should sum up the experience of giving play to the vanguard role of the masses of party members through the party member discussion meetings, obligation groups, responsibility districts, and contact households in the construction of the two civilizations. We should sum up the party construction experience of the township enterprises, the three kinds of foreign-funded enterprises, shareholding cooperative enterprises, and private enterprises and further promote grass-roots party construction work and continuously make improvements in practice.

We should build a stronger contingent of party members and continuously improve party member quality. We should educate the masses of party members on upholding party spirit principles and maintaining the party's progressive nature. We must correctly handle the relationship between implementing the party's existing policies and upholding the party's ideals and purpose and the relationship between reform and breakthroughs and strengthening party discipline. We must not let commodity exchange principles infiltrate the party's political life. We should turn the party members into progress elements who firmly implement the party's basic line, who have the courage to sacrifice themselves for the sake of reform and opening up and the modernization undertaking, who wholeheartedly work for the good of the people, who lead the masses in their arduous struggle, and who make selfless sacrifices

and contribute to the economic development and social progress. We must abide by the party constitution, uphold the new era's party member standards, diligently recruit party members, and actively nurture and promptly recruit into the party fine elements who have political consciousness, who are young, educated, able, and have solid accomplishments; we must pay special attention to recruiting woman party members. In enterprises, we must attach importance to recruiting party members from among the firstline production workers and business mainstay and management personnel and gradually solve the current problem of the absence of party members in many production groups and organizations. In the rural areas, we should pay attention to localities where no party members have been recruited for a long time, where party members have become an aging group, and where village-level groups have no successors. We need fine young people who have good political ideology quality, who are economically-minded, and who are fairly well-educated. In colleges, we should attach importance to recruiting party members from among the fine young teachers, department heads, and active elements among the students.

Five, tighten the blood relations between the party and the people and persevere in our anti-corruption struggles

Party workstyle and honest government are issues that decide whether the people will support or rebel against us, whether reform and construction will succeed, and whether the party will survive or perish. We must fully recognize the urgency, permanence, and the arduous and complicated nature of our anti-corruption struggle. We must make protecting the state and the people's basic interests the starting point and firmly and steadfastly oppose corruption during reform and opening up. We must make a firm decision to eliminate graft and perversion of justice, giving and taking bribes, extortion and blackmail, buying power with money, squandering the people's wealth, corrosion and degeneration and other negative and corrupt phenomena, and we must diligently rectify all sorts of unhealthy tendencies. Anti-corruption struggles must revolve around economic construction and serve reform and development. We must focus on the long-term and plant our foothold on the present and do concrete and honest work to continuously set goals for each period. We are determined to get results and win the people's trust.

The key to good party workstyle and honesty in government lies in unifying the ideologies of leaders at all levels. We must fully understand the importance, necessity, and urgency of good party workstyle and honesty in government and the anti-corruption struggles and put the task on top of the agenda of party committees at every level and work diligently on it. First, we must begin with the leading organs and leading cadres at all levels. Each level should grab hold of another, and one level should give impetus to another. Party members and leading cadres at above county-level must strictly abide by the five requirements reiterated and set down by the Party Central Committee: discipline themselves, take the lead in setting an example, and using themselves as role models; they must set high

standards for their family and children and for people who work around them. We must firmly and promptly investigate and prosecute major and important cases, remove interferences, investigate thoroughly and punish the corrupt elements harshly; we must never be softhearted, because to tolerate evil is to abet it. We must always seek truth from facts and handle all cases according to the law, ascertain the nature of the problems, and have a firm grasp on the policies. We must always be ready to tackle the unhealthy business tendencies that crop up at different times and the people's strong reactions to those practices and deal with them specifically in a timely fashion to ensure concrete results.

To punish and cure corruption, we must deal with the symptoms and the cause of the disease at the same time. Basically speaking, we must concentrate on education and the legal system. We must continuously educate the masses of party members and cadres on party ideologies, program, purpose, discipline, and the fine party workstyle. We must further improve the party members' and cadres' ideological and political quality, increase their ability to resist the corrosive ideologies of the exploitation class, and diligently review our practical experiences in the anti-corruption struggles. We must concentrate on the parts and links that are most susceptible to corruption, eliminate flaws, and plug loopholes. We must set up and amplify an internal management system and supervisory and restraining mechanisms, perfect the policies and laws and regulations, and rely on the system and the legal system to solve the corruption problem. We must enhance the leading groups' ability to discover and solve their own problems. We should strengthen the party organizations and disciplinary inspection organs' organized supervision of the party members and cadres, strengthen the masses and the democratic parties' and factions' and the non-party-affiliated personages' democratic supervision of our party, and strengthen the people's congresses and the judicial and procuratorial and auditing departments' legislative supervision with regard to honest government. We should give play to public opinion's supervisory role and set up a supervisory system inside and out, at the top and below. Party committees must strengthen leadership in the judicial and law enforcement departments, show support for their work, and gradually improve the work conditions in these departments.

Leading cadres at all levels must uphold the party's mass line and diligently improve their leadership style. We must strive to do what Comrade Jiang Zemin asked of us, to "squeeze more time into studying and spend less time on socializing; spend more time on investigation and studies and less on subjectivism; do more practical work and make less empty promises." We must overcome bureaucracy and formalism, go deep into the grass-roots level, observe the conditions of the people, show concern for their sufferings, listen to their cries, and try in earnest to solve the practical problems, so as to put the party's basic purpose, fine workstyle, and mass line into the practical work we do. We must rely wholeheartedly on the working class and the masses of workers and earnestly strengthen the party's leadership toward the labor unions, the China Youth

League, the women's federations, and other mass organizations. We must support their right to do their work independently according to their own charters and give full play to their roles as bridges and links. We should support and strengthen the blood ties between the party and the masses through various ways and means.

Since its founding, the Provincial Advisory Committee has upheld the party's basic line, wrapped itself around economic construction, launched in-depth investigations and studies, participated in discussions before important decisions are made, done extensive propaganda work on the party's general and specific policies, and has amplified our revolutionary tradition. It has performed outstanding work in helping the provincial party committee to strengthen party construction, maintain party unity and social stability, and promote reform and modernization. Politically and ideologically, it has always maintained unanimity with the party and given play to its role as the provincial party committee's political advisor and assistant. On behalf of the provincial party committee, I want to express our wholehearted gratitude and our highest respect to comrades in the Provincial Advisory Committee. In accordance with the gist of the 14th National Party Congress, we will no longer set up party advisory committees in the future. The provincial party committee and party committees at all levels must continue to learn from the veteran comrades' firm political stand, their spirit of seeking truth from facts, their lofty revolutionary sentiments, their fine traditional workstyle, and their rich work experience, and we must, as always, continue to respect them politically and show concern for their lives and to give play to their role in the construction of the socialist two civilizations.

Dear comrades, we are facing the greatest opportunity of our lifetime. History has bestowed upon us a glorious yet arduous mission, and even though we will encounter many problems and conflicts on the road ahead of us, there is much we can accomplish; our future is full of hope. Under the leadership of the Party Central Committee, with Comrade Zhang Zemin at the core, let us insist on embarking on the road to a socialism with Chinese characteristics, uphold the party's basic line, and rely entirely on the province's 43 million people. We must liberate our thinking, seek truth from facts, share one heart and mind, rouse ourselves for the sake of the country's prosperity, struggle arduously, do practical work, make new contributions to the total realization of Zhejiang's magnificent reform and development goals in the 1990's, and win new victories for Zhejiang's socialist modernization construction!

CENTRAL-SOUTH REGION

Commentator on Strengthening Ideology

Arm People With Scientific Theory

94CM0293A Zhengzhou HENAN RIBAO in Chinese
11 Apr 94 p 1

[Article by own commentator: "(1) On Strengthening Propagandistic and Ideological Work Under the New Circumstances—Persist in Arming the People With Scientific Theory"]

[Text] The provincewide conference on propagandist and ideological work has just been concluded. According to the spirit of the All-China Conference on Propagandistic and Ideological Work, and with due integration with the actual conditions of Henan Province, we shall resoundingly proclaim the fundamental guiding principle which we shall adhere to in our propagandistic and ideological work: we shall raise high one main propaganda theme and energetically pursue five particular tasks. Comrade Deng Xiaoping set forth the theory of socialism with Chinese characteristics, a theory which is to serve as the fundamental directive for all work throughout the party. This fundamental directive must be firmly applied, in particular also to propagandistic and ideological work. Arming all party members and cadres with the weapon of this theory is primary task of the day, a task that must be carried out earnestly and effectively.

Deng Xiaoping's theory on the building socialism with Chinese characteristics profoundly reflects the objective law that governs China's socialist construction and succinctly manifests the will and desire of party and people. It is continuation and development of Mao Zedong Thought, and it is the Marxism of present-day China. The said theory is the spiritual mainstay for the entire party and for all nationalities throughout the country. It is the powerful ideological weapon that will win victory in reform, opening up, and modernization. During the past 15 years of reform and opening up, it is precisely under the guidance of this theory, that our undertaking of building socialism with Chinese characteristics was seriously tested and vigorously developed within a most changeable international situation. China's economic construction, the people's living standards, and overall national strength have all reached a new and higher level of development, an achievement that has attracted worldwide attention. It is particularly under the guidance of the said theory that work in all the various sectors of Henan Province also resulted in huge achievements, that the economy could maintain its tendency of rapid growth, and that the strategic objective of "one high, one low" [yi gao, yi di] could have been achieved. Practical experience has made us deeply aware of the fact that whether or not we shall be able to arm all our party members, cadres, and the masses with Deng Xiaoping's theory of building socialism with Chinese characteristics will have a direct effect on success or failure of our socialist modernizations, a direct effect on whether we shall be able to advance united, whether we shall be able to realize the objective of bringing prosperity to Henan Province, and whether we shall be able to implement the tasks set forth at the conference on propagandistic and ideological work.

The theory of building socialism with Chinese characteristics is a complete scientific theoretical system, in which the various basic concepts and basic principles do not stand alone in isolation, but are inherently linked with one another. To truly grasp this theoretical system, to achieve mastery of it through comprehensive study, is not at all an easy matter. It requires attention to the complete and accurate understanding and mastery of the theoretical system within the overall body of the whole, as well as with

respect to the mutual linkages of its parts. Particular attention and effort must be directed to the following three aspects:

1) Great efforts must be expended to attain the basic viewpoints expressed in the said theory concerning the important and fundamental theoretical problem of "what is socialism, how socialism is to be established and developed"; 2) An accurate understanding must be reached as to the inherent connections between the series of fundamental concepts in Comrade Deng Xiaoping's writings; we must completely and accurately understand the fundamental line and theoretical basis of the principle "one central task, two basic points" [economic development plus a) adherence to the four cardinal principles and b) implementation of reform and the open policy]; 3) We must firmly grasp the quintessence of "liberation of the mind" and of "seeking truth from facts," and must gain an understanding and mastery of the world view and methodology of dialectic materialism and historical materialism that permeates all of Comrade Deng's writings, while at the same time avoiding and reducing all subjectivism and metaphysics.

In the study of scientific theory, emphasis must be on its ultimate linkage with the realities and on the guidance it provides for action. Comrade Jiang Zemin recently emphasized the need for a thorough study of Volume 3 of the *Selected Works of Deng Xiaoping*, the need to closely link such studies with the overall situation in the work of the entire party during this year, and the need to raise the level of political consciousness as to all action within the present overall situation. The Central Committee has decided on the following to be this year's overall tasks for the entire party: to seize the favorable opportunity to deepen the reform, expand opening up, promote economic development, and to preserve stability. In matters of establishing the socialist market economy system, China has this year accomplished many important reform measures, actions which may be compared to "storming heavily fortified positions." To gain victory in a fight of this nature requires a particularly strong measure of close unity among the broad masses of party members, cadres, and the people, also concerted action of all concerned, breaking new paths, and vigorous advances ahead. Through the study of Comrade Deng Xiaoping's writings, we shall attain a better unity of thinking with regard to the overall state of the work performed by the entire party, a unity of thinking also with regard to all important policy decisions of the party and the state on improving reform. When linking up with the realities, we must also link up closely with the particular realities of Henan Province in its reform, opening up, and economic construction. Comrade Deng Xiaoping, for instance, has repeatedly emphasized seizing favorable opportunities to accelerate economic development, and has questioned why some regions have always been slow in their development. There may be many reasons for it, but the main reasons, we are afraid, are that they have not truly effected "liberation of minds" and have not conscientiously "sought truth from facts." You, who are in leading positions, have not yet changed your ways of thinking. You have not yet replaced those old

"leftist" things and those traditional concepts, formed under the conditions of the planned economy, by the new ideas and new concepts suited to the socialist market economy. You have not yet become fully conscious of reform and opening up, of market economy, and of the spirit of arduous pioneering work. How, then, can you expect that your districts can spread the wings that would lift them up? If you who are in leading positions will not do a solid job, if you are afraid that your actions may result in "political merits," and if you, in the end, go in for formalism, put on false airs, even go so far as to resort to deception, deceive those above and bully those below, is that not running in the opposite direction to "seeking truth from facts"? Through the study of the theory of building socialism with Chinese characteristics, all regions and all agencies are to find out the strong points and deficiencies of their regions and units, should reason out their developmental paths, and should determine their particular development plans according to actual conditions, seize favorable opportunities, and accelerate economic development. There is a common saying: If the cadre does not lead, the water buffalo will fall into the well. It is the same with theoretical studies. Leading cadres at all levels, especially those of department (chu) and higher rank in the counties, must set an example, take the lead in studying and applying, and by their own model actions motivate and influence all party members and cadres toward studies. At the same time, they should start out from the realities of their district or unit, meticulously arrange and well organize—in a planned way, with points of emphasis, and level by level—the study of all their many party members and cadres. Best material for the study of the theory of socialism with Chinese characteristics is Volume 3 of the *Selected Works of Deng Xiaoping*. It is now a necessity to effectively organize the study of Volume 3 of the *Selected Works of Deng Xiaoping*. This should be combined with the study of the documents from the 14th NPC and the decisions of the Third Session of the 14th CPC Central Committee, as well as a thorough study of the theory and basics of the socialist market economy. These studies should furnish full knowledge of the necessity, urgency, and arduous nature of establishing this new economic system, should strengthen political consciousness as regards the reform, and this should ensure, through concerted effort by high and low throughout the entire province, the ultimate success in the reform, a victory in what appears like "storming of a heavily fortified position."

Guide Public Sentiment

4CM0293B Zhengzhou HENAN RIBAO in Chinese
13 Apr 94 p 1

[Article by own commentator: "(2) On Strengthening Propagandistic and Ideological Work Under the New Circumstances—Ensuring Correct Guidance of Public Opinion"]

[At the All-China Conference on Propagandistic and Ideological Work, general-secretary Jiang Zemin pointed out that it is necessary to guide the people by means of

correct public opinion media. This is a most important task to be achieved at the propaganda and ideology front.

The effects of accurate guidance of public opinion are huge. Accurate guidance of public opinion will consolidate popular feelings and enhance popular spirit. Faulty guidance of public opinion will result in slackening of morale, which will have serious consequences. Historical experiences tell us that it has never been possible to achieve glorious victories, be it in revolution or in construction, without accurate guidance of public opinion. During the past 15 years of reform and opening up, accurate guidance of public opinion has been extremely effective. It has been effective in the "liberation of minds," in renovating concepts, in unifying thought and action of the entire party and of all people throughout the nation, in preserving a secure and united social and political situation, in arousing and manifesting the enthusiasm, initiative, and creativity of the masses, and in promoting the smooth progress of reform, of opening up, and of all modernization projects. The exemplary strength displayed by Jiao Yulu [3542 5940 4389], when secretary of the county party committee, is up to this day an inspiration for all the many cadres and for the masses. The pioneering spirit of the people of Linxian County has the effect of a huge motivating force for all the people of the province to work hard toward bringing prosperity to Henan Province. The great "liberation of the mind" discussion, that has been organized these last one, two years, has promoted a renovation of concepts among all cadres and the masses throughout the province. The systematic reportage on "The Upsurge of Reform in the Mid-China Plains" strengthened the confidence of all the people throughout the province in deepening the reform and in promoting economic development. The heroic feats of Xu Honggang [1776 3163 0474] and Zhang Huanli [1728 3883 4409], their readiness to fight for a just cause, is just now encouraging millions of young men and women of the central plain to fight courageously against evil and wickedness and to promote and develop a healthy atmosphere. The many advanced models that have emerged on all our battle fronts have already become examples to be emulated by all the people of the entire province... We must review the experiences in these various quarters and draw lessons from them, in order to enhance the effectiveness of our guidance of public opinion.

Correct guidance of public opinion requires of us that we firmly persist in preserving unity and stability, that we evoke enthusiasm, that we pursue a policy of positive propaganda, and that we give prominence to the main theme of reform, opening up, and economic development. We must propagate most thoroughly the spirit of the 14th CPC National Congress, of the Third Session of the 14th CPC Central Committee, and of the Eighth Session of the Fifth Provincial Party Congress, namely to maintain continuity and stability in our basic propagandistic themes. We must comprehensively and correctly propagate the political line, principles, and policies of the party. We must persist in dialectical materialism and avoid one-sidedness, and we must also observe propagandistic discipline. We must profusely propagate the achievements of reform and opening up, and must concentrate attention on economic

construction as focal point and main battle ground. We must effectively deal with the various relationships. We must accurately guide, effectively protect, and effectively bring into play the enthusiasm of the masses and of every sector of society. We must encourage and stimulate the unswerving confidence of the masses, and have them energetically forge ahead as of one heart and one mind, while taking the interests of the whole into consideration, in order to have the various reform plans smoothly presented and implemented and creating an excellent social environment in the area of public opinion. We must predominantly propagate those positive ideas and actions that will encourage, inspire, and enlighten the people as to the struggle for the purpose of achieving a prosperous and strong state, the welfare of the people, and an advanced society. We must regularly and without respite propagate various advanced exemplary cases of topical characteristics, review and disseminate the advanced experiences created by cadres and masses in every locality, and have their advanced ideas and experiences become the common wealth shared by the entire province.

Correct guidance of public opinion requires more propaganda among the masses. We must enthusiastically propagate advanced personalities as such are found among workers, peasants, intellectuals, and soldiers, who at their ordinary posts show unselfish dedication. We must more effectively guide the enthusiasm and creativity of the masses toward the grand undertaking of our modernization projects. We must create throughout the entire society an excellent custom of striving for healthy progress and active forging-ahead. In the opposite case, if we were to pander to the tastes of some people and unrestrainedly publicize the stars, people of financial prominence, and the abnormal consumption of those who spend money like water, our guidance would be misdirected, would lead to a slackening of morale, and to a collapse of fighting spirit.

This year is extremely critical for the deepening of reform and for progress in economic development, a year in which a series of new important reform measures will continuously be initiated, and in which, as a consequence, some new contradictions and new problems will prop up. This will require of all who are engaged in propagandistic and ideological work to familiarize themselves well with the overall situation, to effectively handle, in the course of ongoing work, the relationship between reform, economic development, and social stability. It requires close coordination with the general and particular policies of the party, deep penetration of the basic levels, and strengthening of investigation and research in public sentiment and in the mentality of the masses. It requires fullest propagation of the enormous achievements of reform and opening up during the past 15 years, and active propaganda of the excellent state of reform, opening up, and economic development, informing of good examples and good experiences in all reform measures seen in actual practice. It requires opening up ideological channels deep into sentiments and reasoning, with convincing arguments and in forms that are appreciated by the masses, concerning those problems

that impact social stability, it requires resolving contradictions, straightening out moods and sentiments, and converting negative into positive factors.

Correct guidance of public opinion also requires effective supervision of public opinion. Through supervision of public opinion we shall be able to oppose bureaucratism, to rectify unhealthy tendencies, to overcome various negative and decadent phenomena, and to strengthen the people's confidence in progress. Supervision of public opinion must pay attention to commending the good and to criticizing all shortcomings. It must appropriately deal with disturbing elements, it must support whoever favors reform, it must encourage exploratory activities, must educate those that have gone astray, must penalize the corrupt, and must prosecute those who lodge false accusations. In short, supervision of public opinion must definitely overcome the tendency to merely and purely strive for "sensational effects." Our attention must be directed toward achieving beneficial social results. We must firmly adhere to the principle of seeking truth from facts in order to create a great environment in which solid work will be performed and new achievements will be attained.

Educate Younger Generations

94CM0293C Zhengzhou HENAN RIBAO in Chinese
15 Apr 94 p 1

[Article by own commentator: "On Strengthening Propagandistic and Ideological Work Under the New Circumstances—Efforts To Shape and Bring Up a New Generation"]

[Text] China is in the process of entering a new historical era. Strengthening ideological work, nurturing and raising a new generation, fighting for the realization of the socialist modernization projects, these are arduous, but also glorious and important tasks to be accomplished at the propaganda and ideology front.

Since last year, we have seen some exemplary personalities emerge in Henan Province, such as Zhang Huanli [1728 3883 4409], Xu Honggang [1776 3163 0474], and Yao Cihui [1202 2945 2585]. Their shining achievements of unselfishness, their energetic pursuit of progress, and their ideological brilliance in arduously pioneering new undertakings reflect the main theme in the spirit of our time. In their unselfish contributions toward the prosperity of the country, in their efforts to restore and support an atmosphere of morality, in risking their lives for the just cause, they are the backbone of our nation and models for human conduct. All the people of China's central plain are proud of them. Emergence of such personalities is inseparably linked to their being nurtured by the party and nourished by the people. Fundamentally, this is indeed the strategy of "grasping with both hands [simultaneous pursuit of two tactics]" that has been unswervingly implemented by the party committee at all levels throughout Henan Province since the 14th CPC National Congress, as it is also the rich fruit, brought to fruition in intensified ideological-political work. It also tells us that ideological-political work in the

new historical era is still a mighty force. As long as it is conducted in all earnest, it will certainly bring good results.

Adhering to the party's basic line, building up a strong, modern socialist country, translating into reality the guiding ideology set forth by the provincial party committee, namely of "uniting in vigorous advance, bringing prosperity to Henan Province," and realizing its strategic objective of "one high, one low," entails as the one most pressing problem the need to raise talents in the next generation. The more exemplary personalities, such as Zhang Huanli, Xu Honggang, and Yao Cihui, will emerge, the more cohesive will our society be, and the better shall we be able to inspire a larger number of people to unselfishly contribute to our cause. Strengthening ideological work and nurturing and shaping the new socialist generation, is an urgent demand that evolves from the general tasks of the party in the new era, as it is also a project of vital importance for generations to come. Whoever truly hopes for the accomplishment of the four modernization projects must devote all his energy to the nurturing of talents in the next generation. Whoever is sincerely concerned about the fate of state and nation, must double his or her efforts in ideological-political work, to ensure and promote the healthy upbringing of the new generation.

Of foremost importance in intensified ideological work is instilling a lofty spirit in people. The lofty spirit mentioned here is the spirit of serving the people wholeheartedly, as Comrade Mao Zedong had advocated long ago. It is the spirit of "having ideals, a moral conscience, culture, and discipline," as repeatedly emphasized by Comrade Deng Xiaoping. It is also the 64-word pioneering spirit in Comrade Jiang Zemin's summing up of the new era. It manifests the excellent work style of the communist person, as it also is indeed the traditional morality of the Chinese nation, passed on through generations. It is coalescence of valuable experiences gathered by our party in the protracted struggle of the past, as it has also fresh characteristics of our new era. It is a powerful spiritual pillar in the construction of socialism with Chinese characteristics. One fundamental task of ideological work is to show itself capable of applying this kind of a spirit in the shaping of the new generation, in spurring them on to exert themselves and fight for the basic interests of the Chinese nation, and to make unselfish contributions.

In strengthening ideological work, attention must be paid to its goal-oriented nature. In the last few years, there has been some relaxation in ideological work, and some curtailing of such work, in some places and agencies. Money worship, hedonism, and extreme subjectivism have grown up and spread, and have seriously polluted the people's mentality. To cope with this situation it is necessary to launch ideological-moral education among the masses, especially among the youths, an education in which patriotism, collectivism, and socialism are core content, to launch an education of arduous struggle and of building up the country through hard work and thrift, an education of professional ethics, of social morality, and education in the fundamentals of the national condition, also education in the rule of law. In all these areas, particular emphasis

should be placed on the concepts of ideal and belief. Realizing the four modernization projects is the common ideal and common belief of all nationalities of the Chinese nation at the present stage. Whether there exist this ideal and this belief, whether this ideal and this belief have been unshakably established, is not only decisive for the work and life attitude of the individual concerned, but also for his capability of deciding between good and evil. In his statement on the "four necessary qualities," Comrade Deng Xiaoping places ideal at the top. It is absolutely necessary for us to guide the people, especially our youths, toward the formation of correct ideals, beliefs, world outlook, outlook on life, and value concepts, and to have them oppose and reject the intrusion of every kind of decadent and degenerate ideology.

Most important task in the strengthening of ideological work is the education of our youths. Focal point in nurturing the new socialist person, whether viewed in its immediate aspect or in its more remote impact, is the education of our youths. We must pay attention to the particular characteristics of youth, differentiate between different targets, and adopt diverse methods. We must be apt at opening up channels, pay attention to the development of democracy, respect the human individual, understand the human individual, show concern for and provide encouragement for the human individual. We must adopt a method of attracting widest participation by the masses, a method of having the masses themselves teach themselves, the method of discussions in complete equality, the method of criticism and self-criticism. We must educate and help our youths toward gaining a lofty spirit, so that they may become reliable successors in the cause of socialist modernization.

Strengthening ideological work is a matter for the entire party to be concerned with. It is not to be merely undertaken at the propaganda and ideological front, but is to be undertaken by the party committees at all levels and by the basic party organizations in enterprises and industrial units, in the villages, schools, and neighborhoods. The various administrative agencies, as well as labor unions, All-China Women's Federation, and the Communist Youth League also bear heavy responsibility in this respect. All discipline and law enforcement agencies are certainly also not excluded here. We all must jointly shoulder the heavy historical task and exert ourselves in the struggle effort of nurturing the next and every succeeding generation of socialist new persons who shall possess ideals, morality, culture, and discipline.

NORTHWEST REGION

Xinjiang's 1993 Economic, Social Development
94CM0249A Urumqi XINJIANG RIBAO in Chinese
20 Feb 94 p 2

[*"Statistical Report on Economic and Social Developments in 1993 Issued by Xinjiang-Uygur Autonomous Region's Bureau of Statistics,"* dated 15 Feb 94]

[Text] In 1993, people of all nationalities in Xinjiang, led by the Autonomous Region Party Committee and People's Government, following the spirit of the Third Plenum of the 14th CPC National Congress and guidelines of the Party Central Government and State Council to strengthen macroeconomic regulation and control, conquered the difficulties encountered in our forward march, stepped up the pace of reform and opening up, and made considerable progress in various areas such as economic construction and social development. Based on preliminary calculations, the region's total production value in 1993 was 49,796 billion yuan, up 9.5 percent over the previous year; of which, 15,282 billion yuan represented increased production value of tertiary industry, an increase of 12.3 percent and accounting for 30.7 percent of the region's total production value. The major remaining problems in the economy are low returns in industrial production, inadequate reserve strength in agricultural production, serious shortage of capital, persistently high commodity prices, increasing difficulties in finance, and continuing serious bottlenecks in rail transportation and communications.

I. Agriculture

Agricultural production continued to develop. In 1993, the region's agriculture began developing in the direction of the market economy; understanding of the concept on the part of peasants increased; high-yield, high-quality and high-efficiency agriculture made its appearance; and agricultural production conditions and the external environment improved. The region did away with central planning in agriculture, and based on the premise of guaranteeing overall grain production, made appropriate reductions in grain acreage and increased the area for growing cash crops. Total production of grain and cotton hit historically high levels; productions in agriculture, forestry, animal husbandry and fishery all improved over the previous year; with more rapid development in rural enterprises, the rural economy showed an accelerating growth trend. Total agricultural production value in 1993 was 18,753 billion yuan (18,491 billion yuan at 1990 constant prices), up 4.4 percent over the previous year; of which, the total production value of farming was 14,138 billion yuan, up 3.9 percent; forestry, 456 million yuan, up 10 percent; animal husbandry, 4,036 billion yuan, up 5.4 percent; and fishery, 123 million yuan, up 3.9 percent. In 1993, increased value in agricultural production was 13,144 billion yuan, representing 26.6 percent of China's total production value and an increase of 4.5 percent over the year before.

The total value of non-farm productions such as rural industries, construction, transportation and commerce was 4,495 billion yuan, representing 19.3 percent of the rural economy in 1993, up from 18.2 percent of the year before.

Gross receipts of rural enterprises in the region totalled 6,492 billion yuan in 1993, up 57.3 percent over the previous year; their total production value was 6,209 billion yuan, up 42.4 percent.

Among agricultural products with significant production quantities, except for beet which showed some decline, all other main crops showed increases in various degrees.

Major Agricultural Crops and Production Quantities

Crops	1993 Production/tons	% Increase Over Year Before
Grain	7,090,000	0.4
Cotton	680,000	1.9
Edible Oil	370,200	3.9
Beet	2,369,100	-28.0
Mellon	754,900	-10.8
Vegetables	1,918,200	-0.8
Fruits	998,200	8.6

Forestry products and reforestation work made new progress. In 1993, the region's reforestation area totalled 56,500 hectares, up 27.3 percent, and the "Three North" protective forestation system built around protective forestation of farmland achieved new results, and the region's reforestation rate continued to rise.

Animal husbandry production increased overall, and the main animal products, quantities and numerical herd sizes are as follows:

Animal Product	1993 Production	% Increase Over Year Before
All Meat Products	383,000 tons	6.1
Beef only	93,200 tons	7.1
Mutton	186,400 tons	3.1
Pork	61,800 tons	12.4
Milk	370,300 tons	2.9
Sheep wool	50,800 tons	1.6
Eggs	77,200 tons	1.6
Cow hide	688,500 tons	6.5
Sheep skin	8,076,400 tons	5.3
Goat skin	1,539,100 tons	-2.8
Year-End Herd Size	35,147,200 heads	0.6
Year Total Reproduction	14,851,200 heads	4.9
Year Total Marketed	13,970,400 heads	0.2

Fishery production reached a new high. Aquatic products totalled 28,800 tons in 1993, up 8.4 percent over the previous year.

Agricultural production conditions were further improved. At 1993 year-end, the region's total agricultural mechanization power was 6,081,900 kilowatt, up 2.4 percent over the previous year-end; large and medium-size tractors in use totalled 50,000, maintaining the same level as the year before; total chemical fertilizer application (adjusted for

purity) was 503,200 tons, down 4.0 percent; rural electricity consumption was 1.377 billion kilowatt-hour, up 5.5 percent; effectively irrigated area was 2.81 million hectares, up 0.3 percent.

Major remaining problems in agricultural development are: relative decline in agricultural input and inadequate follow-up to development; rapid price increase of production materials for agriculture, adding to the peasant burdens; sluggish growth in secondary and tertiary industries in rural areas, and peasants income not increasing despite increased production; inadequate circulation and sales of agricultural products requiring help to strengthen the foundation of agriculture.

II. Manufacturing and Construction Industries

In 1993, all industrial departments in the region speeded up reforms in various areas and industrial production grew in moderate degree. The region's total industrial production value was 44.811 billion yuan (32.521 billion yuan in terms of 1990 constant prices), up 10.9 percent over the previous year. The increased value in industries was 15.314 billion yuan, an increase of 10.7 percent.

As for the total industrial production values of industries by category above the village level: that of the state-owned industries was 35.464 billion yuan, up 7.2 percent; collective-owned industries, 7.125 billion yuan, up 16.3 percent; other type of industries, 659 million yuan, up 52.5 percent. Production value of heavy industries was 27.027 billion yuan, up 11.2 percent; that of light industries was 16.221 billion yuan, up 7.9 percent.

Production to sales cycle of industrial products was quite satisfactory. Total sales of industrial products at above the village level came to 41.927 billion yuan, with 96.7 percent of the heavy industry products and 97.3 percent of the light industry products produced sold.

Vitality of large and medium-size enterprises was strengthened. The 165 such enterprises in the region generated industrial production value totalling 22.843 billion yuan, accounting for 51 percent of the region's total production value.

Definite progress was made in adjusting the industrial product structure. Compared with the prior year's 100 main product categories, 54 categories showed growth. Among heavy industry products, stimulated by increased investment needs, growths of considerable margin were seen in crude oil, oil refinery capacity, electricity generation capacity, iron ores, pig iron, roll steel, bauxite, ferroalloy, cement, industrial mica, and outer tires. Light industry products which did not sell well included bicycles, color television, gauze cloth, rugs, leather shoes, crude salt, daily use pottery ware, daily use glass ware, chemical detergent, plastic products all of which showed various degrees of sale decline. Contradictions of product structure not compatible with market needs and demands were especially salient.

Production quantities of major industrial products are as follows:

Product	1992 Production	% Increase Over Previous Year
Yarn	129,600 tons	-9.2
Cloth	218,150,600 meters	-9.1
Wool Fabric	12,221,000 meters	1.5
Wool Blanket	298,700 sheets	93.1
Carpet	149,900 square meters	-22.9
Paper, Cardboard	125,800 tons	6.5
Sugar	331,300 tons	3.0
Crude Salt	659,500 tons	-40.8
Wine, Spirits	179,600 tons	12.2
Of above: Beer	96,100 tons	3.0
White Wine	70,100 tons	31.3
Canned Products	41,600 tons	21.6
Milk Products	10,400 tons	0.2
Roller Tobacco	130,000 cases	7.4
Leather Shoes	1,050,400 pairs	-51.7
Chemical Detergent	15,100 tons	-32.0
Television	67,700 sets	14.4
Of above: Color TV	23,400 sets	-30.8
Coal	22,331,100 tons	1.3
Crude Oil	10,341,100 tons	24.3
Gasoline	1,850,700 tons	16.4
Diesel Oil	1,993,500 tons	10.1
Electricity Generating Capacity	9.363 billion kw/hr	7.9
Pig Iron	553,800 tons	19.2
Steel	535,700 tons	12.8
Roll Steel	466,500 tons	15.8
Bauxite	25,800 tons	33.0
Cement	4,280,800 tons	14.1
Plate Glass	611,300 crates	-24.2
Wood	271,600 cubic meters	-10.7
Sulfuric Acid	51,400 tons	-14.9
Chemical Fertilizer (mixed)	339,900 tons	-4.5
Plastic Products	55,900 tons	-25.5
Outer Tires	391,800 units	26.4

The 1993 consolidated industrial economic benefits index, independently calculated, was 70.2 percent, down from 78.6 percent of the previous year. In the index, industrial product sales increased to 96.9 from 94.8 percent; the return on capital rate was -3.9 percent, down from the former 2.7 percent. The overall economic benefits was even lower, given the lack of sufficient capital, accumulating "triangular debts," over reliance on the three categories of capital, and widening losses of state-owned enterprises.

Construction enterprises developed rapidly. In 1993, with continuing increase in fixed asset investments, intensifying reforms of construction industries and effects of market mechanism being felt, the production rate of construction industries, especially those owned by state, increased rapidly and showed increased vitality. The 1993 total production value reached 5.775 billion yuan, up 48.4 percent, and the quality of construction also improved.

Geological exploration led to new finds. Geological explorations in the region led to a series of new discoveries in 1993, with 10 locations determined to be important mining sites, six sites of metals, two of nonferrous materials, and two of underground water; increased efforts were made to develop two mines, one copper, the other gold. Four sites were located where the types and extent of mineral deposits remained to be determined.

III. Fixed Asset Investment

In 1993, the Government continued to increase fixed asset investments in Xinjiang to speed development and construction of infrastructure facilities such as energy, transportation and communications. In 1993, fixed asset investments totalled 23.195 billion yuan, up 36.4 percent over the previous year; of which, local project investments totalled 7.385 billion yuan, up 30.9 percent. Investments by state-owned units totalled 20.875 billion yuan, up 36.8 percent; investments by collective units came to 1.028 billion yuan, up 61.4 percent; investments by individuals in cities and townships totalled 1.292 billion yuan, up 17 percent. Among investments by state-owned units, 13.652 billion yuan were in basic constructions, up 29.4 percent over the year before; 4.125 billion yuan for restructuring and renewal of enterprises, up 89.3 percent; 475 million yuan for constructing commercial buildings, up 98.7 percent; 2.623 billion yuan for other areas, up 14.2 percent.

The composition of investments was further adjusted. In 1993, the region continued to increase investment in infrastructural facilities and key projects in transportation, transport and communications, and energy. A total of 986 million yuan was invested in transportation and communications, up 55.3 percent; 797 million yuan and 5.591 billion yuan were invested in electricity and petroleum development, up 48.1 percent and 6.3 percent respectively.

Progress in developing the region's 35 key engineering projects was good. Of the year's total investment of 10.179 billion yuan, funds that went to planned projects and particular engineering phases achieved rather good results. Building the sulfuric acid facilities at the Urumqi Sulfuric Acid Plant led to successful test production, and the project's first phase began production while construction of the second phase got underway; at the Xinjiang Salt Purifying Plant, the first test production was successfully conducted, ahead of plan by more than four months; at Dushan, important facilities for ethylene and butadiene production were installed, and a series of processing productions started; for expansion of No. 8 Steel Works, 307 million yuan was invested; 980 million yuan was invested to expand the Lan[zhou]-Xin[jiang] railway, with 475.5 kilometers of tracks laid in the main trunk line, and work

for the entire project speeded up; the entire Beitun-Dahuangshan national highway No. 216 was open to traffic; and construction work is proceeding steadily on three key ports at Huoer Guoshi, Bagutu and Yierkesitan; and work in a number of other key engineering projects was pushed ahead.

IV. Transportation, Postal and Telecommunications

In 1993, transportation, transport, postal and telecommunications continued to develop. Branching out from main rail lines resulted in reaching the transport volume of 317,200 tons. The railway department continued to build according to the overall rail transportation plan and to ensure that important materials were transported. The status of the various forms of transport and their capacities is shown below:

Category	1992 Capacity	% Increase Over Previous Year
Goods Turnover Rate	33.013 billion tons/km	6.8
Railroad	18.4 billion tons/km	6.4
Highway	13.3 billion tons/km	9.0
Air Cargo	38 million tons/km	19.7
Pipeline	1.275 billion tons/km	-3.9
Passengers Turn-over Rate	14.6 billion persons/km	5.8
Railroad	5 billion passengers/km	13.6
Highway	7.5 billion passengers/km	unchanged
Air Passenger	2.1 billion passengers/km	16.7

Contradictions of transportation and transport not coordinated with economic and societal developmental needs are very obvious, and rail transportation was especially critical, with state-run transport and transportation enterprises facing considerable difficulties.

Postal and telecommunications developed rapidly. In 1993, the total investment in the postal and telecommunications field was 397 million yuan, up 37.9 percent over the previous year; special delivery expanded by 34.6 percent, radio paging service expanded 1.5-fold, and number of cellular telephones increased more than 500-fold. Long distance and municipal telephone systems developed rapidly; 16 cities and towns are now covered by the long distance telecommunications net, and municipal switchboards expanded to 167,000 switches, an almost three-fold increase over the previous year.

Although postal and telecommunications developed rather rapidly, the contradiction of lack of coordination with economic development of the autonomous region are very salient.

V. Domestic Commerce and Market Prices

In 1993 with intensified reforms in numerous aspects and areas in the region, urban and rural markets were active, goods of all varieties were traded and both buying and selling flourished; retail sales totalled 18.465 billion yuan, up 17.15 percent (after adjusting for the price factor, an

increase of 4 percent in real terms). Retail sales of consumer goods totalled 16.71 billion yuan, up 20.9 percent; those of agricultural production materials totalled 1.755 billion yuan, down 9.4 percent. Breaking down the total consumer goods retail sales, cities and townships accounted for 13.306 billion yuan, up 21.9 percent from the previous year; rural areas for 3.404 billion yuan, up 20 percent. Retail sales to individuals totalled 14.401 billion yuan, up 18.8 percent; to collectives, 2.309 billion yuan, up 35.8 percent.

Differentiating consumers retail sales by type of economic entity: state-owned units accounted for 9.783 billion yuan, up 12.1 percent; collective-owned units for 3.44 billion yuan, down 0.4 percent; and individually owned units for 3.586 billion yuan, up 50.8 percent. Retail sales to non-agricultural residents by peasants totalled 1.606 billion yuan, up 33.1 percent. Differentiating retail sales by type of consumer good: edibles and foodstuff increased by 3.14 percent and edible oils by one-fold. Among durable consumer goods, except for black and white TV and audio recorder, washing machine, refrigerator and color TV showed different degrees of increase. Consumption pattern of urban residents showed changes, with telephone, home remodelling and high-grade furniture purchase gradually becoming hot consumption areas.

Both sales and purchases of production materials flourished. In 1993, suppliers purchased such materials paying a total of 7.229 billion yuan, up 14.8 percent over the previous year; they sold the materials for a total of 7.55 billion yuan, up 10.7 percent.

Price reform made substantial progress. The government freed prices of iron and steel in stages, controlled only part of the sale prices of coal and charcoal, and completely freed prices of cement; the autonomous region reformed the circulation system of grain and edible oil by completely freeing their sale prices and adjusting the fees resident paid for services. The Government also relaxed managerial control over prices of consumer products in the market, and up to 93 percent of the prices were determined by the market. In 1993, the overall price level of consumer goods rose by 12.6 percent over the year before.

Commodity Price Increases in 1993 relative to 1992 (%)

Category	Percentage of Increase
1. Overall Costs of Living	13.0
Costs of Living: Urban	13.6
Costs of Living: rural	10.8
2. Retail prices	12.6
Consumer goods	12.7
All Foodstuffs	16.9
Grain	28.2
Vegetable Oil	6.2
Clothing	3.8
Daily Use Articles	9.1
Cultural, Entertainment Items	2.2

Newspapers, Magazines	6.6
Medicine, Drugs	15.7
Construction, Installation Materials	23.5
Cooking Fuel	23.8
Agricultural Production Materials	10.1
3. Prices of Services	15.7
Services: Urban	14.8
Services: Rural	17.6
4. Purchase Prices of Energy, Raw Materials	36.4
5. Factory Prices of Industrial Products	26.2
6. Fixed Asset Investments	26.5
7. Procurement Prices of Agricultural Side-line Products	13.0

VI. External Economic Activities

In 1993, the region's external economic activities achieved new results; barter trade developed rapidly and became a major pillar of the region's external trade. Total value of exports and imports reached \$912 million, up 30.3 percent over the previous year. The total value of exports was \$495 million, up 22.8 percent. The total value of barter imports and exports was \$577 million, up 80.2 percent over the previous year, accounting for 63.3 percent of all imports and exports. The total value of barter exports was \$289 million, up 75.5 percent, accounting for 58.4 percent of all exports.

The 1993 Urumqi and Border Areas Economic and Trade Talks Conference was successfully held, drawing out-of-region attention while focusing interests within the region, and achieved bountiful results. The talks resulted in trade deals totalling \$2.003 billion, \$137 million more than the total of the 1992 Urumqi Trade Conference. Export deals totalled \$631 million, import deals \$510 million, and external economic projects \$860 million. A total of 689 contracts for intra-region trade and cooperative projects and a total of 211 trade agreements, valued at 3.165 billion yuan, were signed.

Utilization of foreign capital grew by a large margin. A total of 363 investment contracts with foreign businessmen were signed, totalling \$257 million, with \$53 million of actual investments, representing 1.9-fold and 4.2-fold increases respectively over the previous year, and the largest number of such contracts in recent years. The number of "foreign funded" enterprises increased sharply, with 508 such enterprises registered by the end of 1993, a 2.1-fold increase over the end of 1992.

The area of economic and technical cooperation with external entities continued to expand. A total of 241 external economic and technical cooperation projects were approved in 1993, up 28.2 percent over the previous year. The projects totalled \$66 million, down 47.2 percent from the previous year.

International tourism continued to develop. In 1993, 241,000 tourists visited the region, up 0.7 percent over the previous year. Foreign exchange earnings from tourism

totalled \$40 million, up 12.6 percent. The number of buyer-tourists totalled 126,000 persons, down 5.3 percent, accounting for 52.3 percent of all tourists.

Economic and technical agreements broke new ground. The 1993 signed agreements covered 1,500 projects (up 11.4 percent), valued at 2.826 billion yuan (down 13.6 percent), of which 566 million yuan represented investments by other provinces (up 3-fold).

VII. Science, Education, Culture and Health, Sports

Science and technology activities flourished. In 1993, the region accomplished 330 important S&T projects at the region level or above, of which four projects received national-level S&T progress awards, and two national satellite research awards. In 1993, 642 applications were submitted for copyright technical explorations, 454 applications for proprietary benefits, up 28 percent and 1.3-fold respectively over the previous year.

Scientific and technological cadres grew in number and quality. By the end of 1993, some 420,000 technical personnel were attached to various enterprise units. In the region, there were a total of 136 state-run research and development units at or above the county-level, 61 R&D units attached to tertiary institutions, 85 R&D units attached to large- and medium-size industrial enterprises; a total of 18,300 persons were actively engaged in S&T pursuits; of these, scientists and engineers numbered 9,100 persons, with a S&T operational budget totalling 290 million yuan, expenditures of 270 million yuan, covering 2,720 developmental (topics) projects.

The market for science and technology expanded. In 1993, a total of 875 S&T contracts were signed in the region, with a total value of 113 million yuan, up 1.98 percent and one-fold respectively over the previous year.

Satellite plans yielded notable results. By year-end 1993, a total of 139 planned satellite projects were implemented, with 260 million yuan of investment. Of this amount, 150 million yuan were bank loans, 100 million yuan were the region's own investment or other inputs, and the projected payoff was valued at 680 million yuan, with 150 million yuan in profit. The region invested close to 200,000 yuan for satellite training of various types of personnel numbering 40,000 from the agricultural and animal husbandry fields. In 1993, the region participated in the All-China Trade Conference and Exhibit of Satellite Results at Changde, and 15 projects received the conference gold medals, two projects the silver medals; the region was also given the best delegation award and the Northwest five-provinces award for signing the largest amount of contracts.

Educational activities made new progress. A total of 142 new graduate students enrolled in 1993, along with 346 graduate students already in training, up from 49 and 89 persons respectively over the previous year. A total of 13,200 students enrolled in the basic and specialized science programs at the general higher institutions, an increase of 2,000 students; overall student enrollment was

39,100, an increase of 5,000 students. Intermediate vocational and technical training continued to develop. The region's intermediate vocational and technical schools had a total enrollment of 180,500 students (including 43,700 students in technical schools), accounting for 52 percent of the total high and intermediate level school enrollment of 346,000 students. General compulsory education continued to develop. The region's junior high schools had a total enrollment of 552,400 students, and primary schools an enrollment of 2,039,400 students. Among seven-twelve years old school-age children, 96.6 percent were in school. The rate of primary school students graduating to middle school was 79.9 percent. The drop-out rate of students in junior high schools was 6 percent, and students in primary school 2.4 percent.

The region's advanced schools for adults enrolled 20,100 new students in the basic and specialized science programs, with a total enrollment of 36,400, up 44.7 percent and 91.6 percent respectively over the previous year. Intermediate adult vocational schools had an enrollment of 57,000 students, up 23.9 percent; adult enrollments in middle and primary schools were 213,300, up 66.6 percent; and during the year, a total of 122,000 illiterates were taught to read.

Cultural activities developed in a healthy direction. In 1993, the region had 89 cultural performing troupes, 92 cultural halls, 63 public libraries, eight museums, 128 archives reading rooms, 20 radio stations, 37 medium-wave and shortwave radio transmitting and relay stations, and 25 television stations; 2,124 motion picture projection units of various types staged 139,900 screenings and reached a total audience of 226 million persons. In 1993, six films with story plots and four television dramas in 17 installments were produced, 885 films were translated into national minority languages, and 187 various new films were released. Radio broadcasting reached 70.5 percent of the region's population, and television reached 72 percent of the people. In 1993, newspapers were published in 232 million copies, of which 68 million were in national minority languages; picture books were published in 57 million copies (pages), of which 26.52 million were in national minority languages; magazines were published in 10.12 million issues (pages), of which 6.97 million were in national minority languages.

Public health activities made steady progress. By 1993 year-end, the region had 3,894 health facilities, which included 1,146 hospitals (37 more than the previous year) with 66,000 beds, up 3.3 percent. The region had 87,700 health and medical personnel, up 1.6 percent, including 40,700 physicians, up 13.7 percent, and 25,000 nurses and nurses aides, up 1.6 percent. Among the health and medical personnel were 29,200 national minority personnel, up 4.3 percent.

Sports made new advances. At the 7th All-China Athletic Games, the region's athletes won six gold, three silver and nine bronze medals, and scored a total of 165.5 points, ranking the autonomous region in 20th place nationally. During 1993, numerous national minority athletes took part in all-China competitions and won 10 gold, 12 silver

and 19 bronze medals. One athlete broke one world record, one broke two all-China records, and 19 broke 22 records of the region. Athletic events with mass participation flourished. The region staged 2,683 athletic events at above the township level, involving participation of 670,000 persons; overall, 830,000 persons in the region achieved the "national athletic training standard."

VIII. Population and People's Livelihood

Based on population sampling in 1993, the region's birth rate was 21.53 per thousand and the death rate 7.68 per thousand. The population growth rate was 13.85 per thousand. The region had a population of 16,052,000 at year-end 1993, an increase of 246,300 over the previous year-end; the total included 9,978,300 national minorities.

Income of residents showed increases. According to sample studies, the per capita urban resident income for living expenses was 2,215.32 yuan in 1993, up 26.4 percent over the previous year, but after adjusting for the price factor, an increase of 11.2 percent in real terms. The per capita rural resident income was 778 yuan, up 5 percent.

Urban labor work force continued to increase in number. In 1993, the number of employment offices at various levels grew to 320, which succeeded in placing 111,300 persons in employment in cities and townships; at year-end, 3.6 percent of urban residents were wait listed for employment. By the end of 1993, a total of 3,792 million persons were employed, up 120,000 over the previous year-end, including 379,000 employed on contractual basis, an increase of 24,000 persons. The number of individual laborers in cities and townships reached 222,000, an increase of 37,000.

Wage level of employees and workers rose further. Total salaries and wages in 1993 were 10.89 billion yuan, up 27.2 percent over the previous year; the average cash wages was 3,415 yuan, up 24.5 percent, but adjusted for the price factor, a real increase of 10.2 percent.

Urban and rural savings grew. By 1993 year-end, savings of urban and rural residents totalled 24.412 billion yuan, an increase of 5.032 billion yuan or up 26 percent over the year before.

Insurance businesses made rather good progress. The total value of insurance for various types of assets was 48.234 billion yuan in 1993, up 35.5 percent over the year before, with 7,476 enterprises in the region taking out insurance on the enterprise properties, 852,100 households on family assets, and 1,780,400 individuals on life policies. Insurance companies handled 71,974 property loss cases, paying out 147,793,000 yuan of claims, and settled life insurance claims of 16,584 individual policy-holders totalling 14,302,000 yuan.

Social welfare activities were further improved. In 1993, the region's various social welfare organizations had a total of 6,661 bed spaces and were taking care of 5,494 persons. A total of 19,763 persons who were orphaned, handicapped, aged and living alone received collective provided care. A total of 273,700 persons requiring various social welfare services in urban and rural areas were given

assistance by the government, and 163 townships set up social safety net in rural areas and established 704 sites for providing various social services.

Environment protection activities were strengthened. In 1993 the region's environmental protection system had 1,194 employees and operated, at various levels, 40 environmental inspection stations, three state-sponsored nature protection zones, and six region-sponsored nature protection zones; the region carried out 45 projects involving investment of 21,740,000 yuan to rectify environmental pollution within a specified period. By year-end, 11 cities in the region had completed 66 smoke and dirt control zones covering 166.34 square kilometers; eight cities had established 22 noise pollution control zones covering 101.09 square kilometers.

IX. Troops Supporting Production and Construction

Support to social welfare and national economy by military units continued to develop steadily. Their total production value in 1993 was 6.65 billion yuan, up 9.5 percent over the previous year.

With further adjustment made in the agricultural production structure, and its basic foundation strengthened, agricultural production achieved rather good results. The total agricultural production value was 4.5 billion yuan (4.36 billion yuan in terms of 1990 constant prices), an increase of 2.3 percent over the previous year; grain production was 1.4 million tons, down 3.8 percent; cotton, 250,000 tons, up 5.9 percent; edible oils, 85,000 tons, up 1.2 percent; beet, 800,000 tons, down 27.2 percent; number of cattle being raised at year-end, 2,958,000 heads, up 1.4 percent; and various meats, 51,000 tons, up 5.3 percent.

Village and township industries showed rather rapid growth, with a total production value of 700 million yuan, up 80.4 percent over the previous year; and total receipts of 680 million yuan, up 78.9 percent.

Growth of industrial production was maintained, and conditions of both production and sales appeared favorable. The total industrial production value was 7 billion yuan (6.2 billion yuan in terms of 1990 constant prices), up 8.6 percent over the previous year; with production of heavy industries down 12.5 percent, light industries up 13.7 percent, the production-to-sale ratio reached 99 percent. Among the main industrial products, wool fabric increased 7.8 percent, wool blanket 63.3 percent, paper and cardboard 8.5 percent, electricity generation capacity 10.3 percent, and cement 6.8 percent.

Fixed asset investments for 1993 totalled 2 billion yuan, up 13 percent over the year before. Total value of construction was 2 billion, up 14 percent over the previous year.

The market of consumer products developed steadily. The total commercial retail sales reached 3 billion yuan, up 16.1 percent over the year before.

Foreign trade can make the best use of groups, the region's resources and enterprise advantages, and help develop

internal and foreign markets; the region's imports and exports totalled \$140 million, up 91.5 percent over the year before.

Culture, education, science and technology, public health, family planning, environmental protection, sports and so on all achieved new records through reforms and development, and contributed their shares to make the Xinjiang economy prosperous.

Endnotes: 1. In the report, the various total production values were calculated on basis of prices of that year, and rates of increase or growth on basis of prices of the year compared.

2. Data used in the report were all advanced data.

3. Data on rural industries include [production and support by] troop units.

List of Appointments, Removals for Xinjiang Standing Committee

94CM0249B Urumqi XINJIANG RIBAO in Chinese
20 Feb 94 p 2

[Name List of Appointments and Removals for Xinjiang-Uygur Autonomous Region People's Congress Standing Committee: Approved 19 February, 1994 at the 7th Session of the Eighth Xinjiang-Uygur Autonomous Region People's Congress Standing Committee]

[Text] I

Appointed herewith:

An Jizhi [1344 0679 1807] as chairman, Finance and Economic Committee;

Abulizi Sidike as vice chairman, Finance and Economic Committee;

Ayoufu Kuerban as chairman, Operations Committee, Hami [Kumul] Prefecture;

Li Guangqian [2621 0342 0467] as vice chairman, Operations Committee, Hetian [Khotan] Prefecture;

Removed herewith:

Yang Chunhui [2799 2504 6540], vice chairman, Minority and Nationality Affairs Committee;

Qu Xiaozong [4234 2400 1350], vice chairman, Operations Committee, Hetian Prefecture.

II

Decision has been made to appoint:

Bahayiding Yiti as president, Tulufan [Turfan] Prefectural Intermediate People's Court.

Appointed herewith:

Tuerdi Shishi as judicial officer, Akesu [Aksu] Prefectural Intermediate People's Court, and deputy presiding judge of First Criminal Division;

Tao Yanzhu [7118 3601 3796] (female) as presiding judge, Economic Division, Akesu Prefectural Intermediate People's Court;

Chang Lixin [1603 4539 2450] as deputy presiding judge, Administrative Division, Akesu Prefectural Intermediate People's Court;

Bahaerguli Saishiti (female) as judicial officer, Akesu Prefectural Intermediate People's Court, and deputy presiding judge of Second Criminal Division;

Shihemuti Amuti, Awahan Shihesuti (female), Wu Zhenhua [0702 2182 5478],

Liu Xiuding [0491 4423 1353], Hairinisha Tuohuti (female), Yiniwaer Abula, Jiang Chongyun [5592 1504 0061], Guo Dongqing [6753 2639 3237] as judicial

officers of Akesu Prefectural Intermediate People's Court.

Article Views Financial Difficulties, Economic Success

94CE0469A Taipei CHUNG YANG JIH PAO
in Chinese 9 Apr 94 p 3

[Editorial: "It Will Be a Difficult Task To Overcome Difficulties and Rebuild Economic Success"]

[Text] Economic development is not a smooth and steady process, but rather one in which various difficulties and problems are encountered regularly and need timely resolution. In the course of economic development, as domestic and external climates change and subjective and objective factors clash, new problems and difficulties may arise at any time which, if not dealt with properly and carefully, will often cause economic growth to stagnate or decline.

While Taiwan's economic development over the last four-plus decades has certainly created a world-acknowledged miracle, an examination of this process leaves a profound impression about how hard it was to achieve. In this four-plus decades, we have encountered so many difficulties, bottlenecks, and problems, so that it was only by relying on the efforts of all throughout Taiwan to overcome the extreme hardships and difficulties that we were able to turn a rugged path into a smooth one, moving from plowing to harvesting, and having today's success.

When we began our active development in the 1950s, except for an abundant workforce, Taiwan had little else. Not only were we short on resources and money, but our technology was backward and our markets were narrow. But under such adverse conditions, our government rewarded savings, rectified its finances, attracted foreign investment, utilized foreign aid, readopted regulations to reward investment, and vigorously expanded export trade. Finally, by the 1960s, Taiwan's rapid economic growth, sharp expansion of foreign trade, and conversion of a longstanding trade deficit into a longstanding surplus, had brought increased worldwide respect for Taiwan's economic development, with Taiwan being cited as one of the "four Asian dragons."

But after the first world oil crisis in 1973, domestic and external shocks came in unending waves. Domestically, our capital construction was severely inadequate, with our labor shortage blocking further growth of our manufacturing industry. Externally, the sharp rise in oil prices caused worldwide stagnant growth and the development of trade protectionism. If Taiwan's economic development had not been smoothly adjusted at that time, our economy could very possibly have stagnated. Fortunately, our government made an overall adjustment of its economic policy at that time, on one hand going all out to push forward with 10 construction projects, not only relying on this to reinforce our public infrastructures, but also hoping that the increased public investment would stimulate expanded private investment. Meanwhile, it set forth a new development goal, emphasizing development of technology- and capital-intensive industries to accelerate our economic upgrading. With this government policy guidance and all-out private support, Taiwan's economic

development finally rose to new heights, entering a smooth path, and moving to a higher development level, to turn Taiwan into a genuine rising industrialized nation.

Due to our successful economic development conversion, not only did our break in diplomatic relations with the U.S. not have a severe impact on our economy, but since the 1980s, our government's revision of its economic development goals, or promotion of liberalization and internationalization, and the gradual opening of contacts across the Taiwan strait, with Taiwan not only expanding trade relations with all countries in the Asia-Pacific region, but also establishing indirect trade relations with the mainland, have also brought a change to the economic situation of the whole Asia-Pacific region. Taiwan has undoubtedly played a crucial role in this change, which will make us a key player in future economic cooperation in the Asia-Pacific region.

Of course, along with this change in economic situation, we have certainly experienced new economic problems and difficulties.

1. Domestically, due to population growth, urban expansion, and industrial development, the demand for industrial, construction, and fallow land has grown daily, with the unchanged land supply causing skyrocketing real estate prices and land speculation, and the national housing shortage causing discontent among the homeless. The difficulty in finding industrial land has lowered industrialists' investment aspirations. Labor-intensive industries in particular, have been forced to move abroad for their very existence, seeking a second spring overseas.

2. Due to rising incomes and improvements in consumer goods, the public has not only acquired a higher awareness of environmental protection, but also has made higher demands on our social welfare system in areas, such as national insurance, annuities, and old-age pensions. Of course, as a modern nation, a social welfare system is an indispensable qualification.

3. As our economy has advanced and our production increased, our public infrastructures have become inadequate. Our freeways, express-delivery system, parking lots, port and airport facilities, and public transportation are all unable to meet current needs.

4. Our government's need to reinforce our public facilities and expand our social welfare system requires enormous spending. But as revenues have not grown correspondingly, we have experienced heavy financial pressures, with an ever-growing financial burden and fiscal deficits growing yearly, leaving our responsible fiscal sector sighing about the difficulties!

5. Internationally, the Uruguay round of GATT negotiations was concluded in Geneva on 15 December 1993, with a final agreement having been reached. Meanwhile, the World Trade Organization (WTO) will be established on 1 January 1995, and at the latest by 1 July. Unless Taiwan can join the GATT before the end of 1994, we will be unable to become a founding member of the WTO.

meaning that we will be unable to enjoy the benefits to be granted by that organization to its members.

As Executive Yuan Economics Council Director Hsiao Wan-ch'ang [5618 8001 7022] pointed out in a report to the KMT Standing Committee on 6 April 1994, Taiwan's economy is now at a long-range development turning point, in which we have a fine opportunity to reach new heights and develop a new order, to become a star of the 21st century; while similarly, due to the abovementioned five factors, unless we can appropriately overcome them, facing the possibility of landing in an economic stagnation crisis. So what are we to do? Let us see if we can make the wise choice, by making the great effort to overcome the difficulties, and through striving to rebuild our economic success.

We highly endorse the future work priorities set forth by Director Hsiao in his report, such as joining the GATT, planning to become the working center of the Asia-Pacific region, implementing our infrastructure plans, planning housing construction, planning and reorganizing our national annuity system, reassessing our land resources distribution rationality and water supply usage, reforming our government's fiscal system, and raising our administrative efficiency. Some of these priorities are merely goals awaiting our efforts, while others are particular jobs that

are in urgent need of completion. The basic crux of our land and housing problem is that our land problem must be solved. This is not merely to acquire abundant industrial and housing construction space, but more so to eliminate land speculation, so that land benefits are enjoyed by the whole society, not monopolized by the few. In planning national annuities, we need to act in coordination with reform of our fiscal system, by acting gradually, orderly, and in line with our capabilities. Instead of giving the government a too large fiscal burden, we need to consider the principle of equality and justice. In public construction, we need to link this to higher administrative efficiency, eliminating waste, raising project quality, and preventing interference by special privilege.

But even more importantly, in order to achieve our goals of joining the GATT and planning to become the working center of the Asia-Pacific region, matters, such as how to stimulate domestic investment aspirations, upgrade our technology, adjust our industrial structure, expand our foreign trade markets, and protect our domestic ecology, are steps that directly involve raising productivity and speeding up our economic upgrading, requiring even more attention and active promotion. With conscientious efforts in these areas, we will be more able to reach new heights and rebuild our economic success.

Hong Kong's 1994 Economic Prospects Outlined

94CE0333A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 1, Jan 1994 pp 41-45

[Article by Fang Su (2455 5685): "Hong Kong Economy: 1994 Outlook Good All Along the Line?"]

[Text] A quarrel between China and the UK has greatly damaged the political atmosphere, but feelings of political uncertainty have vanished. People think: So what if there is a spat? The outlook for the coming year is generally good for the four main components of Hong Kong's economy: trade, the stock market, real estate, and economic relations and trade between China and Hong Kong, as well as for employment.

Hong Kong is a large corporation that is about to change hands. The old boss is about to leave, and the new boss is waiting to take over. However, the old and the new bosses are on the outs with each other. They quarrel from morning until night. What is interesting is that even though the bosses squabble, the sky has not fallen. The work of the corporation has not only not been impaired but has become more intense, and prospects are that tomorrow will be better.

The following is the general situation in Hong Kong today: Because of the wrangling between China and Hong Kong over the political system, the political atmosphere has been greatly damaged. Economically, however, even though political factors unavoidably affect the economy, the people's general reaction is: So what if China and the UK are having a spat? This also makes sense. Before the two parties had a falling out, everyone had a feeling of uncertainty because the political haze had still not cleared. Now that they have turned on each other, each taking up diametrically opposed positions, the feeling of political uncertainty has vanished. Psychologically, everyone is "relieved." Actually, despite the bad political atmosphere, both the Chinese and the British know that the "economic card" is a bad one to play. What can the Chinese Communists do to the Hong Kong economy? At most, they may be able to continue to drag their feet on the financial arrangements for the new airport. Other matters pertaining to special operating rights may be side issues, but mostly certain British-owned businesses would be hurt. Aside from this, the Chinese Communists cannot bear down too hard without damaging Hong Kong's stability and prosperity. What is more, Chinese capital is at risk in Hong Kong, and Hong Kong has such great economic value to the China mainland.

Inasmuch as the political atmosphere has gone from uncertainty to relative certainty, political factors may be set aside for the time being when discussing Hong Kong's economic situation and prospects. Because the sky has not fallen, and the basic elements in Hong Kong's economy are relatively good, it is generally estimated that Hong Kong's economic growth during 1994 will be on a par with 1993. Actual growth will be more than 5 percent. Below, an evaluation of Hong Kong's future economic situation is made on the basis of four things: 1) trade, 2) the stock market, 3) real estate, 4) and Sino-Hong Kong economic

relations and trade, which taken together can convey an overall picture of Hong Kong's economy.

Trade: Growth of Two Large Markets

Abroad, inventories are low while mainland growth is high. The trend of the two large markets can be perceived, and trade prospects can be half predicted.

Hong Kong's economy has always depended on trade.

One source of data for evaluating Hong Kong's trade situation in the coming year is the semi-official report that the Hong Kong Trade Development Bureau published at the beginning of December 1993 titled, "Hong Kong Trade Prospects in 1994." This research report may be summarized in the following two points:

1. Overseas markets are reviving slowly, but inventories are low. In principal markets such as the United States, recovery remains slow, but prospects are better than last year. Such areas have imported little for some time, and they have pretty well sold their inventories. If their economy takes an upturn and the consumer market picks up, orders will increase.

2. The China mainland shows high growth, but inflation is a worry. The China mainland economy has grown rapidly in recent years. Its annual growth rate is 13 percent. During the last half of 1993, regulation and control was instituted with a tightening of credit, but recently the money supply has been relaxed again. Economic growth during 1994 should be vigorous, but the rise in inflationary pressures and a possible new government retrenchment during the second half of the year are worrisome.

This report rests on two basic assumptions, namely that the United States will continue to extend the China mainland's most favored nation trade status. On the basis of this assumption, the report predicts that Hong Kong's exports will improve in 1994, total export value increasing 18 percent, for an actual 17 percent increase. (The 1993 estimate was 14 percent.) Entrepot trade is also expected to increase by an actual 23 percent. (The 1993 estimate was 20 percent.)

The United States and China are Hong Kong's largest markets (together accounting for half or more of Hong Kong's exports, and more than half of its total entrepot trade). The situation in 1994 will be one in which the United States market will grow fairly steadily and the China mainland market may slow during the second half of the year. By understanding the trend of these two large markets, it is possible to know in advance most of Hong Kong's trade prospects.

Of the issues between China and the United States, the one that affects Hong Kong most is whether China's most favored nation status will be extended. The importance for Hong Kong of most favored nation treatment lies in the current reality that China's and Hong Kong's economies are closely linked. The mainland is the factory, and Hong Kong is the store. Many mainland products transit Hong Kong for sale abroad.

In recent years, both the Hong Kong government and businessmen have sent leading figures to the United States each year to lobby in an effort to get the United States to extend China's most favored nation treatment. Their most important line has been that unless most favored nation treatment is extended, Hong Kong will lose 70,000 jobs and 3 percentage points of its GNP.

Although whether the United States will extend China's most favored nation treatment in 1994 is still an unknown quantity, everyone assumes it will be maintained. The first condition for extension that the United States has expressed is improvement of the China mainland's human rights situation. In this regard, it is estimated that Beijing will do all possible to take some actions and improve its posture to maintain most favored nation treatment. In the final analysis, Beijing also realizes that it cannot be swayed by personal feelings. As for the United States, recently there have also been some indications that it feels Beijing has responded to improve human rights.

In December, GATT finally reached an overall agreement in the Americas and Europe, bringing to an end the seven-year Uruguay round of negotiations. Basically, this assures the continued liberalization of trade. The conclusion of the GATT talks is naturally advantageous for Hong Kong. This is by no means the final talks that will directly benefit Hong Kong, but Hong Kong has always stood for free trade, and it benefits from the liberalization of trade. Strong protectionist sentiment has always existed in international trade. Failure to maintain liberalization will mean a slide toward protectionism, and protectionism is the thing that Hong Kong least wants to see.

The Stock Market: Foreign Capital Dominates; Great Bullishness

Foreign Capital Speculation in the Stock Market Not Likely To Abate in a Short Time. New Products and New Facilities Increase; Market Will Likely Become Hotter.

The stock market has always been regarded as a political thermometer. However, despite the worsening of the political dispute between China and the UK, the Hong Kong stock market runs counter to this precept. The more speculation, the more it booms. In early 1993, the Heng Seng Index was more than 5000, the daily trading volume reaching more than HK\$1 billion. Before the end of the year, however, the Heng Seng Index broke the 10,000 points mark, daily trading volume exceeding HK\$10 billion.

The main reason for this recent bullishness is the entry into the market of foreign funds, which caused a "three grade jump" in the more than 7,000 points Heng Seng Index at the end of September. Foreign capitalists do not regard the Sino-British political squabble as a matter of any importance. They proclaim the good prospects of the China mainland market, and that Hong Kong is the best entry way to the China market. The "instigator" was the U.S. investment firm of Morgan-Stanley, followed by a surge of Japanese and European funds. "Intercontinental ballistic missiles" struck, and the temperature of the Hong Kong market increased greatly.

Many people feel that it is unbelievable that speculation has gone on this way for two or three months, and even old hands have been caught flat-footed. The trend during the coming year is hard to predict, but the consensus of insiders is that the "gold fish bowl" (i.e., the stock market) is a "big crocodile" world, meaning the big foreign investors in particular. What happens in the market will depend mostly on what foreign investors do.

One insider said that the logic for the flow between fund operators recently is as follows: The market price profit rate on the H shares that mainland state-owned business list on the Hong Kong market should not be lower than the profit rate on A shares (for sale inside China) and the B shares (for sale outside China). Furthermore, the market profit rate for the blue chip shares of large Hong Kong firms should also not be lower than for the H shares. In addition, the market profit rate on the Hong Kong stock market (less than 19 times) is lower than in very many other places, yet Hong Kong corporations are doing well and their profits are high. Thus, the conclusion is that Hong Kong share prices should be higher than the current level. These insiders figure that during the first quarter of 1994, the Heng Seng Index should reach 12,000, meaning 16,000 for the whole year.

Will the foreign investors withdraw? It seems that they will not withdraw for a fairly long time. The first reason is that the Chinese mainland economy still seems to be growing at high speed. Negative factors during the coming year are few: regulation and control have been relaxed recently, and most favored nation treatment will likely be extended. One possible negative factor is the death of the great helmsman, Deng Xiaoping. The second reason is that there is no place for foreign investment funds to go. A lot of hot money is available; interest rates are low, and the European, American, and Japanese economies are in a bad slump. Of course, there is apprehension lest foreign capital cause Hong Kong shares to go up, thereby bringing Hong Kong investors into the market only to depart once they have taken their fill. Actually, money could be withdrawn very rapidly, because in addition to stock shares, there are other instruments available such as indexed futures and futures options that can be used, so selling off and recovering funds is extremely easy. Nevertheless, very many small speculators have already left the market. Furthermore, not everyone feels that political factors can be ignored. In addition, present prices are too high. Therefore many people are still very wary.

With the advent of a new year, expectations are that the Hong Kong stock market may become even hotter. This is because of the continuing increase in new products and new facilities in the stock market.

First, the automatic settlement system went into operation, every kind of share certificate being fed into the system continuously. Following adoption of this system, shares were bought and sold using an electronic board listing method, inputting into the buying and selling board being done with the push of a button for immediate execution of a trade. Trading was faster and efficiency increased.

Second was approval of short sales of shares. Formerly, short selling (selling of shares one does not have) was illegal in the Hong Kong stock market, but foreign stock markets have long approved it. Once the automatic settlement system went into operation, selling short was allowed in Hong Kong as of January 1994.

In 1994, options trading will be promoted. Trading of indexed options already exists. The next step will be buying and selling of options for individual shares (mostly blue chip stocks).

In addition, more and more China mainland enterprises are listing on the Hong Kong exchange. State-owned firms issue H shares (currently there are seven or eight of them), and other firms come to Hong Kong to shop for empty shells (to buy empty shell companies).

Inasmuch as more new products and new facilities have been introduced, the amount of trading and investment should increase.

In addition, since the price of blue chip shares is presently high, quite a few individual investors deal in H shares and second and third line shares. Since the index may rise or fall two or three percentage points in a single day, some individual investors speculate on the market each day; thus, the volume of trading in futures index contracts has increased greatly (to more than 10,000 each day).

Real Estate: No Reversal of Rising Trend

Prices of buildings are at an all-time high. The rising trend will continue unless an upheaval occurs. Luxury apartment prices may rise by one-quarter, and medium and small apartment prices may rise 15 percent.

During the last land sale of 1993, competitive bidding on a parcel of land to be used for dwellings in North Kowloon resulted in a sale at an all-time high price (more than HK\$3.9 billion, or more than HK\$5,400 per square foot of floor space). It is estimated that once built, the cost of the premises will be 8,000 yuan per square foot). The earliest that buildings can be put up on that land will be 1997. Apparently real estate dealers view prospects favorably.

Is it really true that the real estate market need not take political factors into consideration? Chung-yuan Properties Agency director, Shih Yung-ch'ing, feels that one cannot say that political factors have no effect. When Sino-British talks break off for a day or two, the number of inquiries about properties decrease, the atmosphere improving only after the stock market rises. Of course, big buyers and sellers are not much worried about spats between China and the UK in the run up to 1997, particularly those who invest in real estate. This is because real estate is immovable property. The payback rate will extend beyond 1997. During the 1980s, Hong Kong real estate gradually went from the hands of those who had no confidence to those who had confidence. Most of those who hold real estate today are those who feel confident about 1997. Spats between China and the UK will not make them unload real property. Therefore, it is not political factors that are the main factors today, but rather that economic factors favor the real estate market.

An analysis of the high rise buildings market shows, according to Shih Yung-ch'ing, that because the Hong Kong economy has grown rapidly, quite a few people on the mainland have made money. (This income is not reflected in any economic growth statistics.) Their increased wealth has increased the demand for luxury dwellings. In addition, some people in Mainland China who have become rich first, and some "princelings" and entrepreneurs who have come to Hong Kong to make money, also want to buy luxury accommodations in Hong Kong. The overseas employees of foreign-owned companies also have such a need. The supply of luxury accommodations increases by no more than 1,000 or so units each year, yet the demand is for 2,000. Supply cannot meet demand, so high rise prices rise by at least 20 percent and as much as 40 percent each year. Today, the price rises between HK\$5,000 and HK\$6,000 per square foot each year.

The market price of a medium or small apartment is between somewhat more than HK\$3,000 and somewhat more than HK\$4,000 per square foot, depending on location. Because of the effect of things such as banks 70 percent collateral requirement, the rate of increase during the past year was not great. It averaged about 10 percent, which is still higher than the inflation rate.

High rise building prices today are at an all-time high. Shih Yung-ch'ing believes that during the coming year favorable factors will outweigh unfavorable factors in the high rise building market, including unfavorable political factors. Barring a turn to the left on the mainland away from the movement toward capitalism that produces a large upheaval, the rising trend will not reverse. It is anticipated that prices of luxury high rise apartments will rise 25 percent in the coming year, and that prices of medium and small apartments will rise approximately 15 percent. Also, because land sale prices set an all time high at the end of 1993, this will be reflected in the future market.

Each year more than 30,000 new residential units are completed in Hong Kong, but because of the high prices of apartments, most people can only look at them and sigh. Recently, large numbers of Chinese mainland-owned apartments have been sold in Hong Kong, the number reaching 100,000 units in slightly more than a year. Shih Yung-ch'ing says that many Hong Kong people have purchased apartments on the mainland mostly because they cannot afford a Hong Kong apartment, and mainland apartment listings account for approximately one-third the total for sale in Hong Kong. The effect of mainland apartment listings on the Hong Kong apartment market has mostly been to soak up savings. Much money has been withdrawn from banks, thereby hurting the banks lending ability. This is also one of the reasons why Hong Kong banks have tightened their collateral requirements.

Sino-Hong Kong Economic Relations and Foreign Trade: Development Is the Last Word

Future Years To Be Decided by How Mainland Pursues Reform and Opening to the Outside World. Continuation of Regulation and Control Will Also Not Employ the Methods of 1993

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.

END OF

FICHE

DATE FILMED

15 JUNE 1994